

SOP: Vendor Selection, Contract Negotiation, and Management

This SOP details the **vendor selection, contract negotiation, and management** process, encompassing criteria for evaluating potential vendors, steps for conducting thorough assessments, strategic negotiation techniques to secure favorable terms, and ongoing management practices to ensure vendor performance and compliance. The objective is to establish strong, cost-effective vendor relationships that support organizational goals and maintain quality standards throughout the contract lifecycle.

1. Purpose

To provide a standardized approach for selecting vendors, negotiating contracts, and managing vendor relationships to ensure quality, compliance, and value for the organization.

2. Scope

This SOP applies to all departments and personnel involved in procuring goods and services from external vendors.

3. Definitions

- **Vendor:** A third-party organization or individual providing goods or services.
- **RFP:** Request for Proposal.
- **SLA:** Service Level Agreement.
- **KPI:** Key Performance Indicator.

4. Responsibilities

Role	Responsibility
Procurement Lead	Oversees the vendor selection, negotiation, and management process.
Evaluation Committee	Assesses vendor proposals and participates in scoring and selection.
Legal Counsel	Reviews and advises on contract terms and compliance issues.
Vendor Manager	Monitors and manages ongoing vendor performance and relationship.

5. Procedure

5.1 Vendor Selection

1. **Identify Needs:** Clarify requirements and specifications with stakeholders.
2. **Develop Selection Criteria:**
 - Quality and reliability of goods/services
 - Cost competitiveness
 - Experience and references
 - Compliance with regulations
 - Financial stability
3. **Prepare and Issue RFP:** Circulate detailed requirements to prospective vendors.
4. **Evaluate Proposals:** Score proposals against selection criteria using a standardized matrix.
5. **Shortlist Vendors:** Identify top candidates for further assessment or clarification.
6. **Conduct Vendor Due Diligence:** Verify references, certifications, and financial status.
7. **Select Preferred Vendor:** Recommend vendor based on evaluation and due diligence results.

5.2 Contract Negotiation

1. **Prepare for Negotiation:**
 - Define organizational objectives and priorities
 - Identify potential risks and acceptable terms
2. **Negotiate Terms:**

- Pricing and payment terms
 - Delivery timelines
 - SLAs and KPIs
 - Liabilities, warranties, and indemnities
 - Termination and renewal conditions
 - Confidentiality and data protection
3. **Engage Legal Review:** Legal counsel reviews draft contract for compliance and risk mitigation.
 4. **Finalize and Execute Contract:** Obtain all necessary approvals and signatures.

5.3 Vendor Management

1. **Vendor Onboarding:** Facilitate new vendor orientation and communication of expectations.
2. **Performance Monitoring:**
 - Track KPIs and SLAs as defined in the contract
 - Conduct regular performance reviews
3. **Issue Resolution:** Address performance issues promptly via corrective action plans.
4. **Contract Renewal or Termination:** Review performance and organizational needs before contract end date; initiate renewal, amendment, or termination as appropriate.
5. **Continuous Improvement:** Seek feedback and implement best practices to strengthen vendor relationships.

6. Documentation

- Vendor Selection Matrix
- Due Diligence Reports
- Contract Documents (including amendments and addenda)
- Performance Review Reports
- Communication Logs

7. Review and Revision

This SOP shall be reviewed annually, or as needed, to ensure effectiveness and compliance with organizational and regulatory requirements.

8. References

- Procurement Policy Manual
- Code of Conduct
- Applicable industry standards and regulations