

SOP: Vendor Sourcing, Negotiation, and Contract Management

This SOP defines the processes for **vendor sourcing, negotiation, and contract management**, including criteria for vendor selection, steps for evaluating and approving suppliers, negotiation tactics to achieve optimal terms and pricing, and guidelines for drafting, reviewing, and finalizing contracts. The objective is to establish reliable supplier partnerships, ensure compliance with organizational standards, minimize risks, and optimize procurement efficiency through effective contract administration and ongoing vendor performance monitoring.

1. Purpose & Scope

- Ensure consistent and transparent vendor management practices
- Define procedures for selecting, negotiating with, and contracting new and existing suppliers
- Apply to all procurement activities within the organization

2. Responsibilities

Role	Responsibility
Procurement Lead	Oversee vendor sourcing and contract management process
Purchasing Department	Conduct vendor screening, evaluation, negotiation, and contract administration
Legal Team	Review and approve contract drafts and amendments
Quality Assurance	Evaluate vendor performance and compliance
Department Requestor	Define requirements, initiate sourcing requests, and participate in evaluation

3. Vendor Sourcing & Evaluation

1. **Requirement Identification:** Department requestor defines detailed scope, quantity, schedule, and specifications.
2. **Supplier Search:**
 - Identify potential vendors via RFIs, directories, networks, or past experience
 - Send Request for Quotation (RFQ) or Proposal (RFP) as appropriate
3. **Selection Criteria:**
 - Financial stability
 - Reputation and references
 - Quality certifications and compliance
 - Pricing and commercial terms
 - Capacity and lead times
 - After-sales service
4. **Evaluation and Shortlisting:**
 - Review proposals against selection criteria
 - Score and shortlist preferred vendors
5. **Approval:** Seek management approval for selected vendor(s) as per delegation matrix.

4. Negotiation Process

1. Prepare negotiation strategy (objectives, fallback positions, BATNA)

2. Engage vendors to discuss pricing, delivery, payment terms, warranties, and support
3. Use effective negotiation tactics (win-win approach, data-driven arguments, leverage competition)
4. Document all negotiated terms for contract inclusion
5. Secure internal consensus on final negotiated terms

5. Contract Management

1. **Contract Drafting:**
 - Use approved templates or develop customized agreements to capture key terms
 - Ensure inclusion of confidentiality, indemnity, performance, and termination clauses
2. **Review & Approval:**
 - Legal team reviews the draft for risk and compliance
 - Internal stakeholders provide feedback and approvals
3. **Execution:**
 - Obtain signatures from authorized signatories of both parties
 - Distribute executed copies to relevant departments
4. **Recordkeeping:**
 - Store contracts in a secure, centralized repository for easy retrieval
 - Maintain a register of contract key terms and expiration dates

6. Performance Monitoring & Review

- Regularly assess vendor performance using agreed KPIs (quality, delivery, service, compliance)
- Document and address performance issues and non-conformances
- Review and renew contracts as per business needs and vendor performance
- Conduct periodic supplier evaluations and audits

7. Change Management

- Initiate contract amendments through formal change requests
- Route amendments for requisite approvals and legal review
- Update records and communicate changes to stakeholders

8. Documentation & Records

- Maintain all relevant documentation (RFQs/RFPs, evaluations, negotiation records, contracts, amendments, performance reports) for audit purposes
- Archive records according to the company's data retention policy

9. References

- Procurement Policy
- Delegation of Authority Matrix
- Legal Review Guidelines
- Template Library – Contracts and Forms

10. Revision History

Date	Version	Description	Prepared By
2024-06-01	1.0	Initial SOP Release	Procurement Team