

# SOP: Preferred Vendor Selection and Sourcing Instructions

This SOP details the **preferred vendor selection and sourcing instructions**, including criteria for evaluating potential vendors, vendor qualification processes, sourcing strategies, negotiation and contract management, performance monitoring, compliance and ethical considerations, cost analysis, and maintaining supplier relationships. The goal is to ensure consistent quality, cost-effectiveness, and reliability in procurement activities by implementing standardized vendor selection and sourcing procedures.

## 1. Purpose

To establish a standardized process for selecting and sourcing preferred vendors that meet organizational requirements for quality, cost, compliance, and reliability.

## 2. Scope

This SOP applies to all procurement activities and personnel involved in vendor selection and sourcing for goods and services.

## 3. Definitions

- **Preferred Vendor:** A supplier selected based on predefined criteria for quality, capability, and cost-effectiveness.
- **Sourcing:** The process of identifying, evaluating, and engaging vendors.

## 4. Responsibilities

- **Procurement Team:** Conduct vendor evaluation, negotiation, contract management, and performance monitoring.
- **Requesting Departments:** Define requirements and participate in vendor evaluation as needed.
- **Management:** Approve preferred vendor lists and sourcing decisions.

## 5. Procedure

1. **Define Requirements**
  - Document the technical, quality, compliance, and delivery requirements for goods/services.
2. **Vendor Identification & Prequalification**
  - Identify potential vendors through market research or recommendations.
  - Issue prequalification forms and collect required documentation (certificates, references, financials).
3. **Vendor Evaluation Criteria**
  - Assess vendors based on:
    - Quality systems and certifications
    - Financial stability
    - Reputation and past performance
    - Capacity and capability
    - Compliance with legal/ethical standards
    - Pricing and cost structure
    - Delivery timelines
4. **Selection Process**
  - Score and rank vendors based on evaluation criteria.
  - Select preferred vendors meeting or exceeding threshold scores.
5. **Sourcing & Negotiation**
  - Obtain quotations or proposals from selected vendors.
  - Negotiate price, terms, lead times, delivery, and service agreements.
6. **Contract Management**
  - Draft and review contracts outlining obligations, quality, pricing, and penalties for non-performance.
  - Obtain necessary approvals and signatures.

7. **Performance Monitoring & Review**
  - Monitor vendor performance using key performance indicators (KPIs): quality, delivery, compliance, responsiveness.
  - Document and review vendor performance on a periodic basis.
  - Take corrective actions or re-evaluate vendors as needed.
8. **Compliance & Ethical Considerations**
  - Ensure adherence to laws, regulations, and company ethics policies.
  - Maintain transparency and fairness throughout the vendor selection and sourcing process.
9. **Continuous Improvement & Supplier Relationship Management**
  - Engage in regular communication with key suppliers for feedback and improvement opportunities.
  - Update preferred vendor lists as performance or business needs change.

6. Records

- Vendor evaluation forms and scorecards
- Prequalification documents
- Contracts and agreements
- Performance review records
- Approved preferred vendor lists

7. References

- Company Procurement Policy
- Applicable regulatory and compliance guidelines

8. Revision History

Version	Date	Description	Approved by
1.0	2024-06-07	Initial release	Procurement Manager