SupplierGateway®

FIVE TIPS TO

FASTER SUPPLIER ONBOARDING

Without vendors and suppliers, most businesses wouldn't be able to function. Whether suppliers are responsible for raw materials needed to produce finished goods or supplying essential services necessary for company operations, the importance of suppliers necessitates building strong and secure relationships.

Minimizing vendor and supplier risk and ensuring long, strong relationships requires more than finding the best suppliers. According to Deloitte, 60% of CPOs cite poor data quality, standardization of practices, and governance as the most significant procurement problems they face. Standardized supplier onboarding processes help increase accurate supplier data capture and quality. Inefficient onboarding processes not only slow your company's time to market and increase your company's exposure to undue risk but also reinforce the lack of transparency as a norm for your suppliers.

Your company's onboarding process sets the stage for your supplier relationships. Efficient and accurate onboarding processes ensure suppliers know and agree to your transparency and communications expectations. Standardized onboarding practices allow suppliers to become partners in data security and transparency. Efficient and transparent onboarding enables positive supplier

relationships and helps reduce your company's exposure to risk.

While risk reduction is a top priority for over 90% of CPOs, poor supply chain transparency leaves most procurement officers with little to no knowledge of risk beyond their tier 1 suppliers. Lack of supply chain transparency also affects the end customer. Over 60% of consumers do not purchase from a company they do not trust. If your supply chain has low levels of transparency, few tools are available to gain consumer trust.

Adopting best practices for vendor and supplier onboarding will help you create a process that lays a strong foundation for your supplier relationships, ultimately increasing profitability while reducing risk for your company.

WHAT IS SUPPLIER ONBOARDING?

Supplier onboarding, or vendor onboarding, is a part of supplier relationship management that allows organizations to vet, qualify, approve efficiently, and contract vendors so that goods or services can be purchased and timely payments made to current and new supply partners.

While many onboarding processes are similar, organizations may approach them differently. The process can be paper-based or digital, managed by the buyer, or self-directed by the supplier. Supplier onboarding isn't that different from new employee onboarding.

A well-designed supplier onboarding process helps your company avoid potentially expensive mistakes, including avoiding risks that could put your organization in legal, reputational, or compliance trouble.

THE SUPPLIER ONBOARDING PROCESS

In this article, supplier onboarding is broken down into five steps:

1 **Identify the need for a new supplier according to procurement requirements.** Any new supplier onboarding exercise is triggered by a need identified by procurement.

2 **Identify potential suppliers and evaluate them.** During this process, your organization should gather data on service records, reputation, credit history, and regulatory, financial, and legal compliance.

3 **Qualify suppliers.** Once a supplier has been evaluated, your company should use a predetermined qualification process to qualify (or disqualify) a potential supplier. The qualification process should reflect your company's policies regarding lead times, pricing, ESG credentials, and terms and conditions. Suppliers that do not pass your company's qualification process should be removed from consideration, while those that do can be approved.

4 **Collect supplier information.** Your organization should collect supplier information via a buyer-led process or a self-service portal. Using self-service portals is considered best practice and saves buyers and suppliers considerable time. Your company will need to collect different types of information, including payment details. You'll also want to ensure that suppliers have access to any necessary systems and that internal stakeholders have access to supplier information.

5 **Review supplier performance regularly.** Supplier performance should be assessed periodically after onboarding. This ensures that the onboarding process has been completed and suppliers will always meet company procurement standards and requirements.

SUPPLIER ONBOARDING
BEST PRACTICES

Supplier onboarding is often inefficient and time-consuming, taking months to complete. Luckily, your organization can take many steps to optimize the onboarding process. By adopting best practices, you can streamline vendor selection, speed up onboarding, and ensure new vendor relationships have the best chance of success.

Take due diligence seriously. Spending additional time on the supplier selection process can ultimately save you time by removing unfit suppliers sooner rather than later. Pay particular attention to reputational risk, financial information and risk, insurance information, and the supplier's information/data security measures.

Prioritize data security. Keeping supplier data safe is crucial, so investing in systems that protect your supplier information and data from threats is important. A paperless supplier information management system will help you protect this precious information.

Get leadership buy-in ASAP. Having leadership buy-in early on is essential when creating a supplier onboarding process. Make sure all necessary stakeholders are involved in the
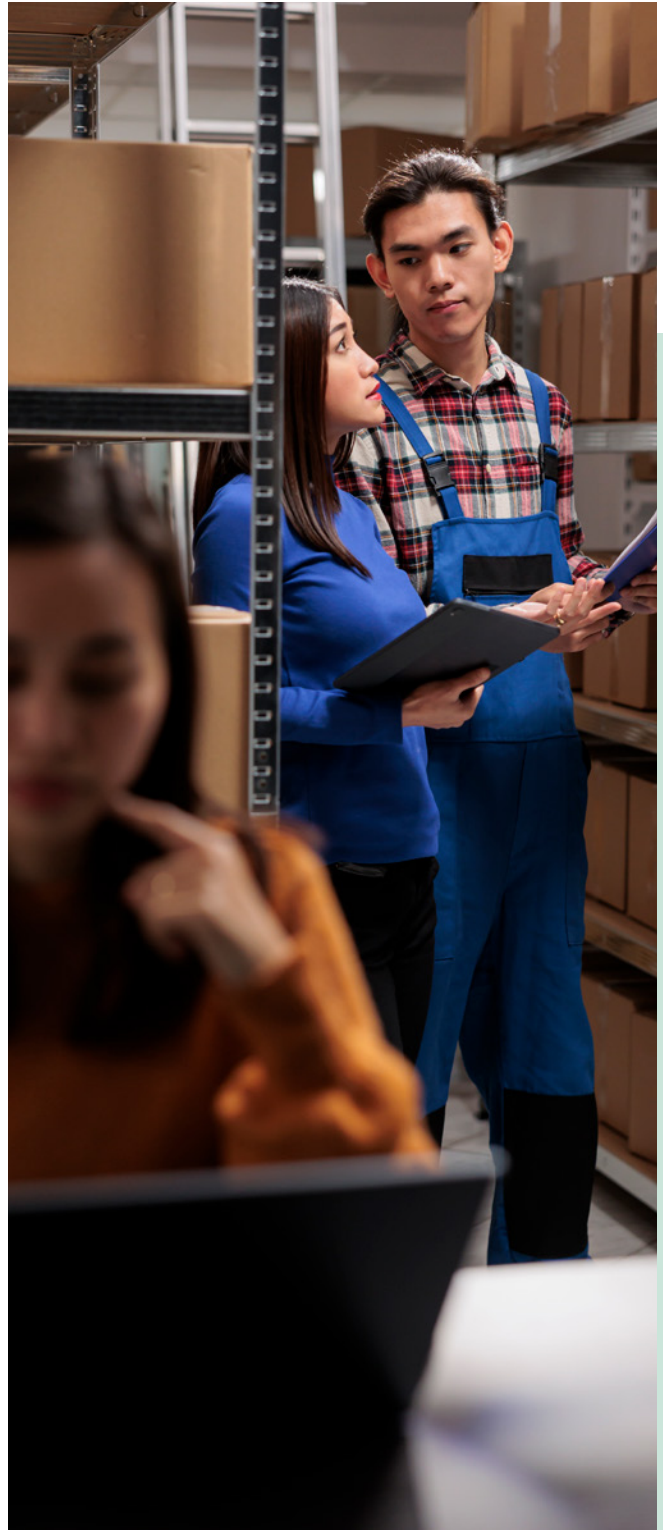
process from the beginning. Getting buy-in from leadership ensures that your entire organization uses and understands the process, thus driving success in onboarding.

Be consistent in your approach. Make sure that your onboarding process is used company-wide. Consistent use means consistent results, but your care and attention shouldn't stop after the onboarding process is finished. Ongoing supplier management brings about additional benefits for your business, like a better time to market, supplier innovation, and more.

Automate when possible. Traditionally, onboarding processes can be time-intensive, labor-intensive, and costly. According to Informatica, businesses that automate part or most of their supplier onboarding processes spend up to 80% less time onboarding new suppliers. Using automation tools whenever possible increases accuracy and efficiency when obtaining the necessary information. You can maximize onboarding efficiency by establishing a self-service portal where suppliers can enter their data.

Key Benefits of Strategic Supplier Onboarding

Developing a strong and well-managed supplier onboarding process helps your organization create an efficient and effective supplier relationship management program. A straightforward, efficient, and easy-to-understand supplier onboarding process creates a strong foundation for relationships focusing on mutual success.

Alongside relationship benefits with suppliers, your organization will also see these additional benefits when best practice supplier onboarding is instituted:

- ▶ Effective and efficient supplier/buyer relationships and supplier management.
- ▶ Streamlined processes and greater efficiency.
- ▶ Enhanced risk mitigation (supported by data management and transparency).
- ▶ A healthy and positive industry reputation as a buyer.
- ▶ A sleek, well-tuned supply chain.
- ▶ Reduced human error, invoice fraud, and maverick spending.
- ▶ Enhanced industry, legal, and governmental compliance.
- ▶ A healthier bottom line, supported by optimal return on investment (ROI).
- ▶ Reduced time for new supplier approval

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