

## SUPPLIER EVALUATION GUIDELINES AND CRITERIA

### 1 Overview

The North-West University (NWU) Library and Information Services (LIS) Procurement management system includes the process to purchase or acquire products and services from outside in order to fulfill business activities as determined by the Library vision, mission and values. This system includes contract management and change control processes required to administer contracts or purchase orders issued by authorised stakeholders. It also includes administering and evaluating contractual agreements, performance and relationships with suppliers. The Procurement management system further includes:

- Planning purchases and acquisitions – determining what to purchase or acquire, and determining when and how;
- Planning contracting – documenting products, services and results requirements and identifying potential Suppliers;
- Requesting Supplier responses – obtaining information, quotations, offers or proposals, as appropriate;
- Selecting Suppliers – reviewing offers, choosing from potential sellers and negotiating good offers within Broad Based Black Economic Empowerment (B-BBEE) compliance.
- Contract Administration - Managing the contract and the relationship between the Buyer and the Supplier. Reviewing and documenting how the Supplier is performing or has performed to establish corrective actions and provide basis for future relationships with the library through the Service Level Agreements (SLA).
- Manage contract related changes and manage contractual relationships between other library departments.
- Determining a clear exit clause with suppliers that provide unsatisfactory service or conduct themselves unethically.
- Proof of BEEE status must be supplied annually by vendors.

### 2 Objectives

NWU orders a wide variety of information materials in volumes hence clarifying underlying objectives of acquisitions is necessary.

The Supplier evaluation assists the library to optimize the procurement process in the case of both information materials and services. Supplier evaluation should be completely integrated into the library management system (Sierra) and other University systems such as Quali.

- The evaluation system is customised to cater for the needs of NWU and ensures that the *five rights of purchasing* are adhered to by purchasing capital, operational and information materials that are: -purchased at the *price as agreed* with the Supplier;
- delivered at the *agreed time*;

- goods and services are of *right quality*; of *good quantity* is received and *fit for purpose*; received from the *correct source*.

### 3 Classification of Suppliers

#### 3.1 Primary Suppliers

Suppliers which supply core requirements i.e. goods and services, and have performed consistently well over the last two years and above all maintained good relationships with the library. Also the following types can be classified as primary suppliers: -

- (a) Single Supplier / Unique Supplier – If a Supplier is identified to supply a compliant product or service which at times is unique in nature.
- (b) Compatibility for instructional purposes and for research purposes – Material supplied is incompatible with existing materials used for teaching learning and research.

Primary Suppliers will be those that are active on the University's financial system (Kuali).

#### 3.2 Secondary Suppliers

Other Suppliers that have supplied products and services required by NWU less than two years. Secondary Suppliers will be on the dormant category on Kuali.

#### 3.3 Upcoming/ Startup companies

These will be BBEE Suppliers as defined in the University Procurement Policy and new Suppliers considered for trial or use on the basis that they render specialised services.

BBEE categories to be considered are Levels 1 – 8 as determined by the University Procurement Policy.

#### 3.4 International Purchasing

- International acquisitions may be considered based on the following: -
- Once established that the product or service is not available locally;
- Once it has been established that the product or service cannot be sourced through a local supplier or Representative;
- If there are no other similar or local products that will serve intended purpose
- If local product is more than 100% of imported price including handling costs and freight.
- All international purchasing should acquire approval by the designated authorised signatories responsible for a specific Division prior purchase order(s) being placed.

### 4 Basic Conditions for Suppliers

- **Company profile**

Ownership and credibility of the company

Dependency (Supplier turnover versus Institution's turnover to the supplier)

Company registration

- **Management**

Customer satisfaction

Quality work procedures

Risk management (are there any risk management plans)

- **Logistics**

Ability to meet requirements on time for deliveries and quantities (supplier track record)

- **After sale support**

Ability to provide support after purchase

- **Economy**

The company's financial soundness as determined by:  
Financial evaluation (annual reports and ratings)  
Payment terms

- **Use**

Supplier record  
Order record  
Purchasing information record  
Access to databases

- **Contract termination**

Contract will be terminated under these conditions: -

- If the supplier committed any proven corrupt or fraudulent act during the supply chain process or the execution of that contract, or
- If any official or other role player committed any proven corrupt or fraudulent act during the supply chain process or the execution of that contract to the benefit of the supplier.
- Variety of reasons most of which are tabled in the Performance measurement criteria section, such as delayed deliveries, failing to perform any other contractual obligation or if the supplier has engaged in corrupt and fraudulent practices or has become insolvent.
- Contract termination may be effected if contractual conditions are not met and if both parties agree to the termination in writing.

If supplier is not used for more than two years, the supplier will be placed in the dormant list or the contract will be terminated.

Despite a final warning, the contractor still fails to perform satisfactorily; the University may introduce appropriate penalties or cancel the contract concerned.

- **Performance standards**

Four types of performance standards will be considered during the evaluation process which involves comparing the current achieved level of performance with some kind of standard. Thereafter a score will be allocated. Depending on the outcome of performance, the Supplier will be given a chance to improve performance based on the improvement plan features described in Sec 9.

**Historical standards** would mean comparing current performance against previous performance. These standards are effective when judging whether an operation is getting better or worse over time. It must be noted that they give no indication as to whether performance should be regarded as satisfactory or not; hence considering a nine-point scale on matrix method help resolves uncertainty.

**Target performance standards** are those which are set arbitrarily to reflect some level of performance which is regarded as appropriate or reasonable.

**Competitor Performance standards** compare the achieved performance of the supplier with that which is being achieved by one or more of the University/Library's suppliers.

In terms of strategic performance improvement, competitive standards are most useful.

**Absolute performance standards** are those which are taken to their theoretical limits. For example, the quality standard of 'zero defects' is absolutely difficult to achieve. This may sometimes mean surpassing expected level of performance, for example, if the expected delivery time is four weeks and the particular supplier delivers in two weeks.

## 6 Criteria for measuring of performance

Below are measures of performance to be applied in assessing whether objectives are met.

<b>Performance objective</b>	<b>Some typical measures</b>
<b>Quality</b>	Expectation of quality assurance and measurement Number of defects per unit Number of customer complaints Warranty claims Mean time between failures Customer satisfaction
<b>Speed/ Delivery (the whole logistics chain)</b>	Customer query time Order lead time Frequency of delivery Actual versus theoretical throughput time Order tracking & reporting
<b>Dependability</b>	Accurate fulfillment Percentage of orders delivered late Average lateness of orders Proportion of products in stock Mean deviation from promised arrival Schedule adherence
<b>Flexibility</b>	Time needed to develop new products/services Range of products/services Machine change-over time Average capacity/maximum capacity Time to change schedules
<b>Cost</b>	Variance against budget Utilisation of resources Efficiency in value add Dates of payment where relevant Correct invoicing Payment as per arrangement e.g. COD Price of material(s)
<b>Communication</b>	Handling of complaints Arrangement for clinical governance Contingency arrangements for interruptions to service provision Continuous liaison Delivery of queries

<b>Competitiveness</b>	Key player Monopoly Fair competition BBEE
<b>After sale support &amp; general administration</b>	Should cover any other support/service that matters to NWU business.

### 7 Competitor Performance Measurement : Nine Point scale

<b>Better than Competitors</b>	<b>Strong</b>	<b>1</b>	Considerable better than competitors
	<b>Medium</b>	<b>2</b>	Clearly better than competitors
	<b>Weak</b>	<b>3</b>	Marginally better than competitors
<b>Same as Competitors</b>	<b>Strong</b>	<b>4</b>	Sometimes marginally better than competitors
	<b>Medium</b>	<b>5</b>	About the same as most competitors
	<b>Weak</b>	<b>6</b>	Slightly lower than the average of most competitors
<b>Worse than Competitors</b>	<b>Strong</b>	<b>7</b>	Usually marginally worse than competitors
	<b>Medium</b>	<b>8</b>	Usually worse than competitors
	<b>Weak</b>	<b>9</b>	Consistently worse than competitors

### 8 Supplier Rating: Four Block Grid

**Block 1: Not Acceptable**

**Block 2: Acceptable**

**Block 3: Good**

**Block 4: Excellent**

Supplier Evaluation					
Supplier Rating					Remarks
	1	2	3	4	
<b>Quality</b>					
<b>Speed/ Delivery (the whole logistics chain)</b>					
<b>Dependability</b>					
<b>Flexibility</b>					
<b>Cost</b>					
<b>Communication</b>					
<b>Competitiveness</b>					
<b>After sale support &amp; general administration</b>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

## 9 Features of Breakthrough and Continuous improvement

	<b><i>Breakthrough improvement</i></b>	<b><i>Continuous improvement</i></b>
<b>Effect</b>	Short-term but dramatic	Long-term and long-lasting but un-dramatic
<b>Pace</b>	Big steps	Small steps
<b>Time frame</b>	Intermittent and non-incremental	Continuous and incremental;
<b>Change</b>	Abrupt and volatile	Gradual and constant
<b>Involvement</b>	Select a few 'champions'	Everybody
<b>Approach</b>	Individualism, individual ideas and efforts	Collectivism, group efforts, systems approach
<b>Stimulus</b>	Technological breakthroughs, new inventions, new theories	Conventional know-how and state of the art
<b>Risks</b>	Concentrated - 'all eggs in one basket'	Spread - many projects simultaneously
<b>Practical requirements</b>	Requires large investments but little effort to maintain it	Requires little investment but great effort to maintain it
<b>Effort orientation</b>	Technology	People
<b>Evaluation criteria</b>	Results for profit	Process and effort for better results

Based on service oriented & industry standards, widely accepted in operations management.

Neli Kaunda

Director Shared Services