

Six Pitfalls to Avoid in Supplier Management

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Managing suppliers is fraught with challenges. Rare is the executive who has not made a mistake. In this article, I look at some of the most common mistakes—most of which I’ve made myself—and how to avoid them.

English is the Language of Business

In our global supply chain, not having someone—even if it’s an independent third-party—who speaks both your language and the language of your supplier is a sure path to failure.

You can compound this further by limiting yourself to someone who only knows the language, not the culture. The culture provides the context, the slang, the idioms, the unspoken assumptions. Cultural awareness is the body language that tells you whether the “maybe” is based on an honest “I don’t know” or a certain culture’s way of saying “let’s see.”

When dealing with suppliers to medicinal products, language skills and cultural awareness spell the difference between innocuous and poisonous.

To mitigate this risk, even if you cannot afford to hire dedicated personnel or consultants who know the language and culture of your supplier, then look to your local university. Most universities have language, literature and regional studies departments upon whom you can inexpensively draw for the insights you would not otherwise know.

Risk Assuming not Assessing

Failure to assess risk as it relates to you and your needs often comes about when someone says, “Well, these guys are a big player so they must know what they are doing.”

There are many reasons why companies are small or big, none of which may have anything to do with what you need.

If you want to know the real-world experiences of firms like yours when considering a potential supplier, ask for a list of current clients your size, that are in your industry, and who are doing your estimated

dollar amount of business with them. You don't need contact information, just an idea of who has used the supplier in the past.

I advise my clients to do this before any risk assessment of the supplier. There are three key red flags that indicate potential trouble ahead if not controlled:

1. *Red flag number one:* if the supplier does not have any customers like you.
2. *Red flag number two:* if they used to have them, but do not any longer.
3. *And red flag number three:* if they no longer return your calls once they see the ballpark amount of business you plan to do with them.

A simple email asking about supplier customers comparable to you in those three ways—size, industry, estimated dollar/euro value of the business conducted—is the quickest way to establish if a vendor is viable for you.

Excluding Your IT Department

Most information technology (IT or ICT) departments have dealt with this issue, along with many more vendor management issues, than you may realize. Ignoring a good source of in-house experience is not a Lean Compliance practice.

In addition, so much of what you receive from your supplier—whether it's a sterilizer, a bottle maker, chemical supplier, etc.—will have electronic information and computers associated with it. Excluding your IT department from helping you manage and qualify your suppliers is akin to relying upon the “under the shade tree” mechanic to keep your modern car with its computer chips running in tip-top shape.

Failure to Use Your Contract

Contracts document expectations. While often crafted in language more suited to the courtroom than the meeting room, failing to use the contract to spell out specific regulatory and quality expectations is a typical pitfall when dealing with suppliers.

The best way I've seen to avoid this relies upon use of contract addendums such as Service Level Agreements (SLAs) and technical or quality agreements. The contract should reference these, which then allows you and the supplier to update them as time goes on without having to redo the contract itself. In essence, you are creating a mini-master services agreement.

One added bonus of this approach is the elimination of “under the table” expectations. Placing expectations into addendums allows both parties the chance to adhere to both the letter and the spirit of the agreement.

Overlooking the Business Culture

The business culture of suppliers involved in your new product development efforts or to whom you outsource services such as clinical site management or complaint handling, is particularly important.

You need to be comfortable with their philosophy and management style. It doesn't necessarily need to be identical to yours, but it should be compatible. Test this by providing some sample situations based on those you've faced and ask how they might respond.

Ignoring Other Opinions

The last pitfall to avoid is ignoring the "facts," such as they may be. Previous warning letters from regulatory agencies, audit findings (like 483s), regulatory inspection summaries, third party certifications or accreditations, and even awards are all documents to examine.

For critical suppliers, I advise my clients to also scan the supplier's known customers, particularly those closest in business-type to my clients. What 483 audit findings have a supplier's customers received? Are those related to the services or materials provided by the supplier?

This is the information to also document in your due diligence reports. Your goal, at minimum for critical suppliers, is to make sure you have identified all potential risks of dealing with your suppliers so you can then take the appropriate steps to control and mitigate. Examining the impacts of a supplier on its customers is an important piece of that puzzle.

Final Thoughts

In our global world of multinational companies and virtual startups, patients and regulators alike are less and less tolerant of executives who simply cannot seem to learn lessons over and over. If you've struggled with managing your suppliers, make the time to learn from the mistakes presented in this article. Compounding one failure after another is not a sign of good leadership or competent compliance.

Are you ready?

About the Author

John Avellanet is a former *Fortune 500* subsidiary C-level medical device and biotechnology executive where he created, developed and ran his firm's Records Management and IT departments. In 2006, he co-founded his private consulting firm, Cerulean Associates LLC (www.ceruleanllc.com).