

Assessment and Development of Vendor Management System (VMS) of Company OPQ: A Case Study

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Abstract

Vendor Management (or Supplier Management) is a critical activity in which buyers, purchasing staff, or procurement officers are in-charge to execute. It is done to keep the suppliers engaged with the needs of the business and for the suppliers to be aligned with its goals. Also, vendor management is purposed to maintain a good business relationship with the suppliers which is beneficial to both the business and suppliers. Company OPQ is a chemical manufacturing company in the Philippines that serves various market industries (food, biodiesel, homecare, personal care, crop science, building & construction, etc.) thus, given these large industries being supported and to continue supporting them, the company's supply base must be taken care of. Hence, Vendor Management System (VMS) is one of the programs that administer the supply concerns of the company by managing the suppliers and all concerns associated with them. Currently, the VMS of Company OPQ is comprised of 2 programs: Supplier Audit and Supplier Assessment. The study intends to assess these programs, identify areas of improvement, and create proposed revisions using a method inspired by the Systematic Literature Review (SLR). This is done by extracting data from the company's VMS records and procedures and interviews with the internal and external stakeholders who are directly involved in the VMS programs. The proposed revisions for the VMS programs are believed to fortify the audit coverage questions and more comprehensively assess the supplier's performance. Through this, the maximum potential of the supplier might be unlocked.

Keywords

Vendor management system, supplier relationship management, VMS, supplier audit, supplier assessment

1. Introduction

The effects of globalization are apparent as businesses revamp their foundations and have condensed their usual processes as they become more complex, dynamic, and competitive thus making way to a stronger engagement with their suppliers for the acquisition of goods, services, and support to take full advantage of business performance. This

just proves that managing suppliers are crucial as they are an indispensable part in any type of business (Patowarya, 2018). Hence, having a robust supplier management strategy can boost business performance. Supplier or Vendor Management, as defined by Patowarya (2018), refers to all business programs, processes, and activities that manage the total lifecycle of a supplier for an organization which includes identification, selection, and performance assessment. The importance of vendor management is irrefutably a concept that businesses, especially manufacturing firms, recognize in reaching their business objectives and goals therefore, rigorous efforts are being made by these companies to establish a strong vendor management system (VMS). As per Ariyanti (2021), VMS takes an essential role in giving an outline and comprehensive methods for the procurement of materials, financial outflows, demand, distribution, and supplier performance.

Company OPQ, a manufacturing company founded in 2006, is a member of the ABC group of companies established in 1963. Company OPQ is a chemical manufacturing company situated in Quezon City, Philippines that serves quite a range of industries such as Food, Building and Construction, Plastics, Biodiesel, Personal Care and Hygiene, Homecare, and Crop Science. Given this range of customers being served by the company, the Procurement Department, which is in-charge in procuring raw materials and packaging materials and dealing with suppliers, shall implement robust procurement and supplier management strategies to support the business. However, as bottlenecks and challenges arise and remain inevitable in these current times, on top of the growing demands of the customers and prospective markets, and in line with the company's expansion projects, the suppliers must remain engaged and geared towards supporting the needs of the company. Ergo, the procurement team, to uphold suppliers' support, must improve and develop its vendor management system to meet these demands of the company.

1.1 Objectives

In mitigating issues concerning supplies, it is imperative to reflect with supplier's performance and its impact to an organization's supply chain. This study aims to assess the 2 VMS programs of Company OPQ: (1) Supplier Audit; and (2) Supplier Assessment. Based on the assessment, a proposal will be made to improve these vendor management programs.

2. Literature Review

One of the major roles of the purchaser and supplier, which is essential in supplier management, is creating a partnership that comprehends or knows the real requirements of each side and working unceasingly to acclimate to the needs of both parties (Levin et al, 2019). As per Zycus (2018), if an organization has the right vendor management in practice, the organization will have a better selection, better contract management, better performance management, better vendor relationship, and better value. Better selection pertains to the organization having a larger pool of vendors vying for being selected by the organization thus, results in ultimately better costs or prices for the goods up for bid. Better contract management implies a clearer view of the current standing of all contracts which can allow the organization to accomplish better decision-making competencies that save time. Meanwhile, better performance management pertains to having a cohesive perspective of vendors' performance which can provide an explicit understanding of what is working and what is not. An example of performance management is executed through supplier assessments or appraisals. In the study conducted by Obura et al (2021), it was found out that the supplier appraisal is essentially related to the performance of the procurement role, thus increasing the satisfaction of the department's performance. Better value is the ultimate goal of the VMS. When properly implemented, VMS can get the most value for the business – big long-term savings and better earnings over a period of time. These benefits just prove that VMS really is an important aspect that an organization must be aware of.

Many companies and researchers give importance to vendor management due to its desirable benefits. To elaborate, in the research made by Mitra (2020), the researcher did propose techniques for vendor management using the principles of Lean Six Sigma. Meanwhile, since environmental issues awareness is increasing nowadays, in the study conducted by Zheng et al (2021), the researchers proposed a novel framework for supplier evaluation and management that consider eco-friendly production for the manufacturing industry. Moreover, Shiralkar et al (2021) has described in their study that the occurrence of the COVID-19 pandemic disrupted worldwide supply chain operations. This made businesses realize that all vendors or suppliers do not contribute correspondingly to stretch the supply chain business and mitigate the interruptions. With this, it is a must for businesses to create a network with world-class and excellent pool of suppliers and establish long-term relations with them for the business to react positively in times of market interruptions and to remain globally competitive in the market. The corporate environment for developing countries, like the Philippines, is pictured with growing precariousness. The circumstances that come along with this affect the

performance of every business' local supplier in terms of product quality concerns and reliability of deliveries. In the research conducted by Akamp & Muller (2011), wherein the researchers explored and studied which acts of supplier management from 137 German businesses could enhance the performance and satisfaction of the supplier and buyer, respectively, the data gathered imply that collaborative activities—supplier development and supplier integration—are effective supplier management programs in improving the performance of suppliers. On the other hand, supplier monitoring does not appear to make a positive effect on supplier performance. Results also show that there is a direct link or impact of supplier performance to buyer satisfaction compared to the supplier management activities as it was revealed that its influence to buyer satisfaction is limited.

In the current set-up of Company OPQ, two (2) major VMS programs are being implemented: Supplier Audit and Supplier Assessment. The company is divided into two (2) major product groups – Food Product Group (FPG) and Non-food Product Group (NPG), and the 3 vendor management programs differ in process in accordance with which product group does the vendor supplies its material/s to (Note: if the vendor supports both FPG and NPG, FPG VMS guidelines are followed). At the current time, supplier-related issues are still occurring and recurring in Company OPQ. To elaborate, non-conformity of the materials delivered by the suppliers, late and incomplete deliveries, slow responses to inquiries, high pricing against market price, and non-compliance to some of the company's regulations are examples of the supplier-related issues which Company OPQ is experiencing. It is therefore needed for the company to impose engaging programs that will improve the performance of its suppliers since it is known that companies acquire value with the implementation of supplier management ideologies and practices (Ross, 2015). This study aims to assess the current VMS programs being implemented for packaging materials vendors in the company and identify areas that need improvement. The packaging materials being purchased from these suppliers are bulk containers such as drums and totes, corrugated cartons, plastic containers (eg. bottles, jars, gallons, etc.), glass containers (bottles & jars), sacks, plastic films or linings, and sticker labels. Once the areas for improvement are identified, the study also proposes an improvement plan based on the result of the brainstorming sessions that will be conducted with the stakeholders which mitigates the concerns that arose from the result of assessment. The result of the study can help mitigate the supplier-related issues that occur in the organization. This research conceptualizes the impact of VMS programs of Company OPQ to the performance of its suppliers which directly impacts buyer satisfaction as shown in Figure 1.

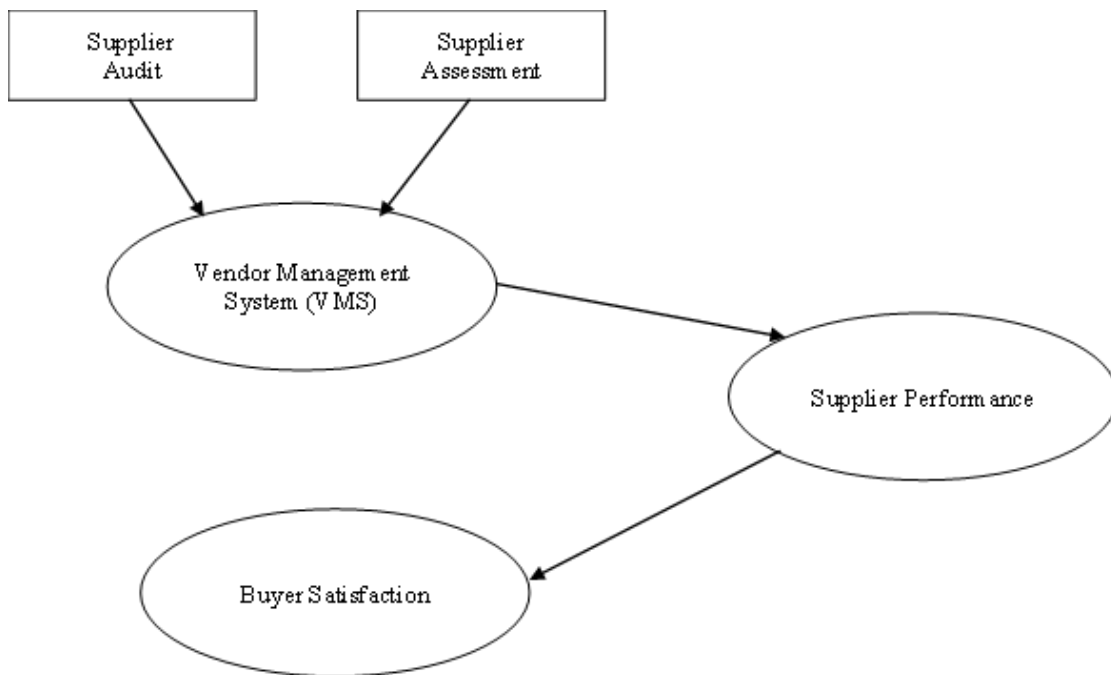


Figure 1. Conceptual Model

3. Methods

The proposed methodology for the study is inspired by the Systematic Literature Review (SLR) process, as shown in Figure 2, by Tranfield et al. (2003) which develops an evidence-informed knowledge management process. SLR process was also used by Ghadge & Kalowsky (2012) in their study regarding Supply Chain Risk Management (SCRM) as it identified crucial acumens into SCRM research. The study will assess and examine Company OPQ’s 2 VMS programs—Supplier Audit and Supplier Assessment. These VMS programs will be evaluated by the internal and external stakeholders that are involved in the process using interviews with the stakeholders involved in the VMS programs.

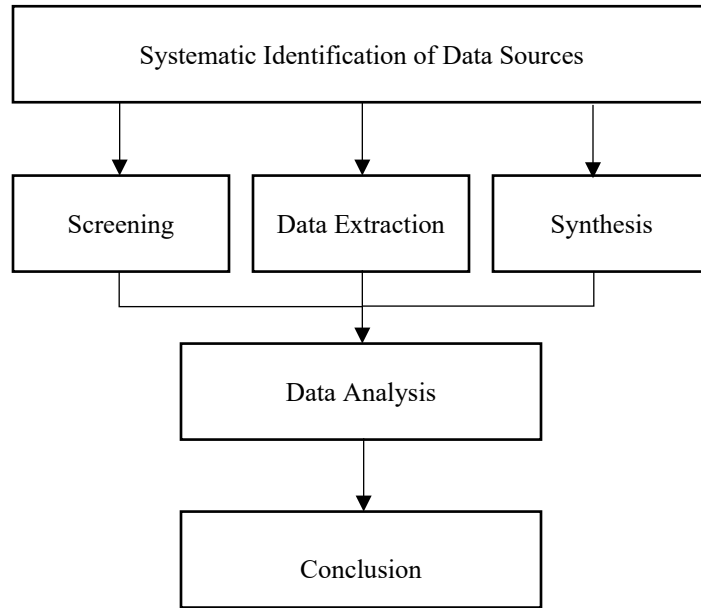


Figure 2. Proposed Methodology for the Study

3.1 Systematic Identification of Data Sources

The systematic identification of data sources is the opening step of the SLR methodology which includes refinement of concepts (Ghadge & Kalowsky, 2012) and identification and verification of data sources that will be extracted for the study. There are two (2) identified data sources for the study and they are (1) existing VMS records and procedures, and (2) interviews that aim to assess the current implemented VMS programs of the company OPQ. The mentioned interviews will be conducted with internal and external stakeholders that are involved in the VMS programs.

3.1.1 Existing VMS Records and Procedures

This paper is focused on the assessment and development of the 2 existing VMS of Company OPQ: Supplier Audit and Supplier Assessment.

Table 1. Supplier Audit Subject Areas and their Descriptions

Subject Area	Description
Organization	refers to the general information about the supplier’s profile—its capabilities, administration, and certifications.
Premises	checks the premise or location of the supplier in its suitability to operate (production capacity, ventilation of facility, cleanliness of the location, and the like)
Equipment	checks whether the equipment that comes in contact with their product is/are inert, non-porous, well-cleaned, and regularly maintained
Sanitation and Hygiene	checks whether there are proper sanitation and hygiene practices in the facility and in their employees

Production and Process Control	evaluates processes involved in the production of supplier's products
Quality Assurance	evaluates the quality management system in place for their raw materials and finished goods as well as the testing procedures done in laboratory facilities
Documentation	checks whether the supplier has proper document control and process
Audits	checks whether the supplier undergoes audits from internal and external auditors
Warehousing and Distribution	evaluates handling of raw materials and finished goods of the supplier
Retention of Samples	checks processes involved in sampling
Crisis Management	checks whether the supplier has a crisis management plan in place
Health, Safety, and Environment (HSE Management)	assesses the current HSE protocols and programs being implemented by the supplier within their organization
Plant Security	checks security policy of supplier's plant
Data Integrity	evaluates data integrity policies of the supplier

The first VMS program is the Supplier Audit which is done to evaluate, inspect, audit, and check whether the suppliers comply with the standards set by the company. The Supplier Audit is done by the PD and the QMCD. Presented in Table 1 are the subject areas that the supplier audit intends to evaluate from the Supplier and their respective descriptions.

The other VMS program, which the study aims to assess and improve, is the Supplier Assessment. As per Thomsen (2014), supplier assessments are important because despite having a cost-effective, streamlined, and very safe manufacturing process, this process is unusable if the services and support that the suppliers or vendors and subsuppliers provide do not conform to the company's standards. In Company OPQ, the Supplier Assessment is done to all FPG vendors and the Top 10 vendors (in terms of the quantity purchased) for the NPG vendors. The Supplier Assessment is done in the 1st Quarter of the succeeding year. This study will make use of the Supplier Assessment records for the year 2021. Shown in Table 2 are the criteria for the Supplier Assessment and their respective weights and assigned evaluator/s. Service criteria is divided into four sub-criteria: Compliance (refers to compliance to standards by the company), Flexibility and Responsiveness (refers to the speed of response to inquiries and concerns by the company), Technical Support (refers to the engagement of the supplier with technical concerns or new product development or studies), Documentation and Shipment (refers to the completeness in documents and actions that concern payment and shipment or delivery). On the other hand, Delivery refers to the ability of the supplier to deliver in full and on-time. Lastly, Quality refers to the performance of the supplier in terms of delivering items that meet the set quality standards. After getting the score from every criterion, the scores are then added to get the overall assessment result. Table 3 presents the classification of the supplier once the overall score from the assessment is computed.

Table 2. Supplier Assessment Criteria

Criteria	Weight	Assigned Evaluator
Service <i>Compliance</i> <i>Flexibility & Responsiveness</i> <i>Technical Support</i> <i>Documentation & Shipment</i>	30%	Procurement, Accounting, & Logistics
Delivery	30%	Procurement
Quality	40%	Procurement

Table 3. Supplier Classification based on Rating from the Supplier Assessment

Classification		Rating
A	Strategic Supplier	95% - 100%
B	Preferred Supplier	85% - 94.99%
C	Qualified Supplier	70% - 84.99%
D	Subject for Requalification and Review	50% - 69.99%
E	Outrightly not qualified as a Supplier (Delist)	Below 50%

3.1.2 Interviews with Internal and External Stakeholders

Table 4. List of Internal and External Stakeholders involved per VMS Program

Program	Internal Stakeholders	External Stakeholders
Supplier Audit	1. Procurement 2. Quality Management & Compliance	1. Supplier
Supplier Assessment	1. Procurement 2. Accounting 3. Logistics	1. Supplier

Table 4 shows the list of internal and external stakeholders involved per VMS program of Company OPQ. The interviews will be conducted with each of the stakeholders included in the table.

3.2 Screening, Data Extraction, and Synthesis

The second step is screening, data extraction, and synthesis which is done by gathering the data from the VMS records and procedures and interviews. VMS records and procedures include 2021 supplier assessment results for the top 10 vendors, most recent supplier audit records, and the procedures for supplier accreditation and supplier audit and documents needed. On the other hand, interviews are done with the internal and external stakeholders who are directly involved in the VMS programs implemented by the company. Internal stakeholders include people that are working in Company OPQ which consists of buyers, production engineers, accounting associates, quality and compliance officers, research and development staff, and sales & marketing associates and agents. Meanwhile, external stakeholders comprise of suppliers of packaging materials of the company. The packaging materials being purchased from these suppliers are bulk containers such as drums and totes, corrugated cartons, plastic containers (eg. bottles, jars, gallons, etc.), glass containers (bottles & jars), sacks, plastic films or linings, and sticker labels.

3.3 Data Analysis

The data collected and verified from the previous step is further analyzed in the Data Analysis step in which the data are first summarized and then analyzed. Data are analyzed through brainstorming sessions to be conducted and facilitated by the researcher with the respondents. The brainstorming sessions will determine the corrective actions and the improvement plan which are going to be implemented to mitigate the concerns associated with VMS.

3.4 Conclusion

Finally, in the conclusion step, based on the findings from the data analysis, proposals for the improvement of the VMS are presented.

4. Data Collection

Systemic identification Systematic Identification of Data Sources were executed on April 2022 where VMS records and procedures were collated. Interviews with internal and stakeholders were conducted on May 2022.

5. Results and Discussion
5.1 Supplier Audit

Table 5. Supplier Audit Subject Areas—Existing vs Proposed

Subject Area	Coverage	
	Existing	Proposed
Organization	<ul style="list-style-type: none"> • What are the types of materials being manufactured? • Is the facility regularly audited or inspected by FDA or any regulatory body? • Has the facility been subjected to a regulatory warning or enforcement? • What are the existing accreditations? • What is the approximate size of the site? • What is the approximate size of the production facility? • Does your organization have an organizational chart? • Does your organization have job descriptions that clearly define the authority and responsibilities of personnel? • Is the quality department independent of manufacturing? • How many no. of employees are in production, quality assurance/quality control, warehouse, research and development, engineering/maintenance? • Do you have training procedures for the employees? • Do you provide awareness training on good manufacturing practices? If yes, how is it conducted? • Are individual training records kept and documented? • Do you evaluate the effectiveness of training? If yes, how? 	<ul style="list-style-type: none"> • Do you comply and abide with all the regulations in the Philippine Labor Code?
Premises	<ul style="list-style-type: none"> • Is the building used for manufacturing of products suitably located and constructed, and of adequate sizes to facilitate cleaning, maintenance, and proper operation? • Do you have a site master plan? • Are the areas clearly defined and appropriately controlled? • Are the buildings designed to prevent the entry of insects, vermin, and other animals? 	<ul style="list-style-type: none"> • Are your wastes being segregated? • Is there an adequate amount of trash bins inside your facility? • Do you have a waste management system or program? If yes, please provide.

	<ul style="list-style-type: none"> • Is any open drainage channel shallow and easy to clean? • Does the design of the facility achieve a unidirectional flow of materials, personnel, product, and waste to avoid cross-contamination? • Is the lighting provided adequate for the conditions necessary for the work being conducted in the area? • Is the manufacturing area well-ventilated to prevent excessive build-up of heat, dust, odor, and vapor? • Are the premises satisfactory (neat, clean and its state of repair)? • Is the toilet separate from the production area? • Do washing facilities include sufficient water supply, soap and sanitizer, and dryer? 	
Equipment	<ul style="list-style-type: none"> • Are all surfaces and materials in contact with raw materials and finished products inert to the raw materials/products? Smooth and non-porous? Easily dismantled and readily accessible for cleaning? • Are the equipment suitably installed and located to eliminate cross-contamination and facilitate the cleaning of equipment and of adjacent spaces? • Are there detailed cleaning procedures in place for all equipment? • Are there maintenance procedures in place for all equipment? • Are all equipment regularly serviced and calibrated? 	<ul style="list-style-type: none"> • What is the frequency of maintenance of the equipment?
Sanitation and Hygiene	<ul style="list-style-type: none"> • Do you have documented policies and procedures on sanitation and hygiene? • Do you have adequate hand-washing facilities? • Do the personnel who work in direct contact with the material wear appropriate PPE? • Do the personnel who work in direct contact with the material wear jewelry or any other loose item? • Do the personnel wear effective hair restraints? • Do you have a separate facility for the storage of outside clothing and other personal belongings? 	

	<ul style="list-style-type: none"> • Do you have a separate facility for potable and non-potable water? • Do you have a wastewater treatment facility? • How do you maintain hygienic conditions and practices in the area? • Are there written standard operation procedures (SOPs) for cleaning and maintenance of the equipment? • Are cleaning and sanitizing agents validated and approved for use? • Does the facility have a pest control program? If yes, what is the pest control program in-house? • What facilities/equipment is/are installed to protect against contamination of material by animal/pests? • Is the processing and storage facility properly sealed and closed to prevent pest access? • Are products stored in pest-proof containers and are properly stacked away from grounds and walls? • Are chemical, physical or biological agents used in pest eradication? 	
<p>Production and Process Control</p>	<ul style="list-style-type: none"> • Do you have written procedures and work instructions for handling raw materials/ingredients? • Do you inspect and segregate raw materials prior to application in the manufacturing process? • Do you monitor the temperature and humidity of the raw materials storage area? • Are there separate storage areas for raw materials and finished goods? • Do you conduct testing of raw materials prior to use for manufacturing? • Do you have work instructions and procedures for proper handling of equipment during operations? • Do you monitor physical factors to keep mechanical breakdown and uncontrolled events from happening? • Do you have proper handling procedures for transporting finished goods (ie. Loading, conveying, shipping) • Do you have documented procedures in handling contaminated/adulterated raw materials/ingredients? 	

Quality Assurance	<ul style="list-style-type: none"> • Quality management • Quality control raw materials • Quality control packaging materials • Testing of returned goods • Laboratory facilities and controls 	
Documentation	<ul style="list-style-type: none"> • Do you have an established procedure in document control and record control? • What is the frequency of review for all pertinent documents and records? • What is the retention period for hard copies of records? • What is the retention period for electronic copies of records? • Who is in charge of document and record control? 	<ul style="list-style-type: none"> • Is there a procedure for the removal of obsolete documents?
Audits	<ul style="list-style-type: none"> • Do you have a procedure for internal audit? • Do you have a procedure for external audit? • Are the results of internal and external audits documented and reviewed by the management? • Are corrective actions resulting from internal and external audits documented, verified, and evaluated for effectiveness? 	<ul style="list-style-type: none"> • How often are internal audits done to you? • How often are external audits done to you?
Warehousing and Distribution	<ul style="list-style-type: none"> • Do you have a documented procedure for handling raw materials and products during storage and distribution? • What type of material is used for storage and transportation of food to ensure protection against contamination and deterioration? • Do you practice the principle of stock rotation (FIFO)? 	
Retention of Samples	<ul style="list-style-type: none"> • Are samples retained for each batch/lot of finished products? If yes, what is the retention period for the samples? If yes, are the retained samples stored in an area suitable for the specified storage condition? 	
Crisis Management	<ul style="list-style-type: none"> • Does your company have an established crisis management plan? If yes, please describe. 	
Health, Safety, and Environment (HSE Management)	<ul style="list-style-type: none"> • Does your company have an established health, safety and environment program? If yes, please describe. 	<ul style="list-style-type: none"> • Do you conduct green initiatives in your everyday operations?

Plant Security	<ul style="list-style-type: none"> Is there an established visitor policy? If yes, please describe. 	<ul style="list-style-type: none"> Do you have CCTV cameras scattered throughout the facilities? If yes, how many CCTV cameras are installed within your facility?
Data Integrity	<ul style="list-style-type: none"> Do you have an approved data integrity policy? If yes, please provide the reference and effective date of the policy. Does your data integrity policy also apply to metadata necessary to reconstruct a record of GMP activities? Is access to the data system restricted to authorized personnel person? Please describe measures taken to ensure data is secured from alteration, inadvertent erasure, deterioration, or loss. Do you perform backup of all data? If yes, what is the frequency of data back-up? Are data systems periodically reviewed to confirm that they remain in a valid and compliant state? If yes, what is the frequency of review? 	

The interviews to stakeholders were conducted on the month of May, year 2022. Shown in Table 5, Supplier Audit Subject Areas—Existing vs Proposed, are the proposed additions or amendments in the proposed column. The proposed column shows additional coverage questions to the existing ones. With this, supplier audits results could potentially incur more relevant rubrics for the supplier being audited.

4.2 Supplier Assessment

Table 6. Existing Rubrics for Supplier Assessment

Criteria	Sub-criteria	L/O	Assessor
Service (30%)	<i>Compliance</i>		
	a. updated certifications	LO	Procurement
	b. after sales service	L	Procurement
	<i>Flexibility & Responsiveness</i>		
	a. price competitiveness, cost effectiveness, and credit terms	LO	Procurement
	b. speed of response to inquiry, professionalism	LO	Procurement
	<i>Technical Support</i>		
	a. assistance to product development	LO	Procurement
	<i>Documentation & Shipment</i>		
	a. complete, accurate, and timely shipping/delivery documents	LO	Logistics
	b. compliance to bank requirements; prompt and accurate documents	O	Accounting
Delivery (30%)	No. of on-time shipments over no. of total shipments	LO	Procurement
Quality (40%)	No. of quality-accepted shipments over no. of total shipments	LO	Procurement

Table 6 shows the existing rubrics for supplier assessment. It has 3 main criteria: Service as 30% of the overall score, Delivery as 30% of the overall score, and Quality as 40% of the overall score. The Service criteria is further divided

into four (4) sub-criteria: Compliance, Flexibility & Responsiveness, Technical Support, and Documentation & Shipment. The Delivery and Quality criteria are graded by the PD. Meanwhile, the Service criterion is graded by the buyer, accounting personnel, and logistics officers. There are two types of suppliers—local and overseas. Local suppliers are suppliers that are based in the Philippines, meanwhile, overseas suppliers are based in other countries. The compliance sub-criterion covers the compliance to certifications of suppliers (eg. ISO, Halal, Kosher, GMP, etc) and after-sales service. After-sales service applies to local suppliers only. The flexibility and responsiveness sub-criterion cover price competitiveness, cost-effectiveness, and credit terms and the speed of response to inquiry and professionalism. Assistance to product development is included in the technical support sub-criterion. For the documentation and shipment sub-criterion, the completeness, accuracy, and timeliness of the suppliers in providing shipping or delivery documents are assessed by the logistics team. Meanwhile, this sub-criterion also includes compliance with bank requirements, promptness, and accuracy of the financial documents (which applies to overseas suppliers only). The computation for the delivery criteria is straightforward—the number of on-time deliveries or shipments is divided by the total number of delivery attempts. For the quality criteria, the rating is computed by the number of shipments accepted divided by the total shipments. The score for the Service criteria is computed by adding the scores per sub-criterion divided by maximum score (35) then multiplied to 30. The score for delivery is computed by dividing the no. of on-time shipments by the no. of total shipments then multiplied to 30. The score for the quality criteria is calculated by dividing the no. of quality-accepted shipments by the no. of total shipments then multiplied to 40. Over-all rating by the supplier is the sum of the Service, Delivery, and Quality criteria. (Legend for the table: L – for local suppliers; O – for overseas suppliers; LO – for local and overseas suppliers).

Table 7. Proposed Rubrics for Supplier Assessment

Criteria	Sub-criteria	L/O	Assessor
Service (25%)	a. Regularly updated certifications	LO	Procurement
	b. Assistance to product development	LO	Procurement
	c. Speed of response to inquiries and concerns	LO	Procurement
Delivery (25%)	a. no. of on-time shipments over no. of total shipments	LO	Procurement
	b. completeness, accuracy, and timeliness of shipping/delivery documents	LO	Warehouse/Logistics
Quality (25%)	a. no. of quality-accepted shipments over no. of total shipments	LO	Procurement
Commercial (25%)	a. Price competitiveness	LO	Procurement
	b. Payment Terms	LO	Procurement
	c. Compliance to financial and bank requirements	LO	Accounting

Table 7 shows the proposed rubrics for Company OPQ’s supplier assessment based on the interview conducted to the stakeholders. In the proposed rubrics, the Service criterion is composed of 3 sub-criteria: (1) regularly updated certifications; (2) assistance to product development; (3) speed of response to inquiries and concerns. All these sub-criteria are assessed by the Procurement team. The score per sub-criterion ranges from 0-5. The service criterion score is computed by adding the scores of all sub-criteria and then multiplying the sum by 25. The next criterion is Delivery and its score is computed by adding the score per sub-criterion which are: (1) no. of on-time shipments over no. of total shipments (score is computed by dividing the no. of on-time shipments by the no. of total shipments and then multiplying the answer by 5) and (2) completeness, accuracy, and timeliness of shipping/delivery documents (It was proposed that, contrary to the existing rubrics, all suppliers either local or overseas shall be assessed. This sub-criterion, as also proposed, shall be assessed by the warehouse/receiving team for local suppliers and the logistics team for overseas suppliers. The following criterion is the quality which is assessed by dividing the no. of quality-accepted shipments by the total no. of shipments. Finally, the addition of the Commercial criterion which emphasizes the supplier’s performance in terms of commercial terms and requirements is proposed. Its sub-criteria are (1) price competitiveness (which refers to how competitive the supplier prices its materials); (2) payment terms (which refers to how the supplier supports the cash flow of Company OPQ by establishing payment or credit terms); and (3) compliance to financial and bank requirements.

6. Conclusion

Vendor Management System truly keeps the relationship between the organization and its suppliers. For Company OPQ, where there’s an ongoing issue with suppliers, it is needed to fortify its vendor management system to motivate

its suppliers in strengthening the business relationship between the two bodies. In this study, existing vendor management system programs, such as supplier audit and supplier assessment, are examined and thought through interviews with internal and external stakeholders to come up with a proposal that improves the VMS programs. In supplier audit, some proposed coverage questions are added. Meanwhile, the proposed supplier assessment, as per interviews with the external and internal stakeholders, will measure more comprehensively the performance of the suppliers thus will yield results that are more accurate.

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