


Site Visits Should be 'Insight' Visits



Visits to suppliers' facilities should be considered an essential ingredient of effective procurement, and can be an invaluable source of useful information and insight that cannot be obtained in other ways.



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An often underrated, misunderstood and underutilised role of the procurement professional is the site visit. Seen as many as a bit of a jolly or a waste of time, the site visit has become a low-priority activity to be completed only in dire circumstances or when there is nothing better to do. On the contrary, visits to suppliers' facilities should be considered an essential ingredient of effective procurement, in particular in today's turbulent economic climate, and can be an invaluable source of useful information and insight that cannot be obtained in other ways.

More than ever before, perhaps, buyers must ensure that their suppliers are able to deliver against contracts. This requires an assessment of each supplier's business model in terms of capacity (human and technological resources; financial strength and resilience; physical size of the business) and capability (compliance to latest legislation; human and technological resources; sector knowledge, client/product knowledge).

A considerable amount of information can be gathered within a few hours on a facility tour that is impossible to glean through internet searches, company websites and sales material included in proposals. For example, although the responses to Requests for Information/Proposals provide a lot of data about suppliers, the buyer should bear in mind that they have been completed by the suppliers themselves and therefore are subject to bias and possible economies of truth: they are part of the suppliers' sales pitch as much as they are part of the buyer's selection process. Furthermore, second- or third-hand information can on occasion be subjective, incorrect or simply lacking in detail. So it is important to gain a first-hand view.

Visits can also be important in future-proofing your contracts and reducing risk. A visit may reveal that a supplier able to cope with immediate demands may not be able to 12 months down the line.

When to conduct a visit

Visits to suppliers can and should be made at all phases throughout the procurement cycle, in particular for complex or non-Routine categories (Kraljic's Portfolio Matrix). At the prequalification stage, a visit helps in understanding market structure, key differentiators and aspects that could potentially be included within the request for proposal, provided that undue preference is not inadvertently written into the tender documentation.

Moving into the selection stage, a visit crucially identifies the reality behind the razzmatazz of the selling process. Beauty parades can be incredibly superficial. A problem with the tender process, too, is that it presents an image of the supplier that may not represent the reality of trading circumstances at the time of contract award – rather a poignant issue given present trading conditions.

Having awarded the contract, if items are being manufactured and the timescales are critical, it is always useful to check progress against the manufacturing/project plan. Spot visits too often reveal a different scenario to that portrayed over the phone – perhaps manufacturing has been subcontracted despite the contract's stipulating 100% internal build. A site visit during post-contract implementation is also important in ensuring adherence to the contract, in monitoring areas for further value gain (through Value Engineering) and in broaching cost-based discussions.

Where rapid growth is experienced or expected, a visit ensures that the incumbent provider has adequate capacity.

Visits to the supplier's clients

For construction works, a visit to completed and current projects provides an invaluable insight into workmanship and project management, in particular the supplier's ability to manage opposing views, multiple relationships (client–consultant–main contractor–subcontractor–inspectors) and complex supply chains.

How to make the most from visits

The aim of the site visit is to gain insight into the reality of working with the supplier, not to have a quick glance around and then make small talk over lunch. Consider it a fantastic fact-finding opportunity that could help you to achieve more value from the contract.

Planning is essential. Advance desk-based research can provide a considerable amount of financial, market and company-specific information, such as investment plans, product mix and the nature of the facility. The visit itself should investigate those data that cannot be captured by desk-based research, with lists developed around areas where observation is sufficient and where further probing and questioning is required to satisfy the question of the supplier's ability to perform the work.

Questions designed to root out the true situation should be formulated, but asking too many questions is not advisable as the supplier may become defensive to protect details that could be used in negotiation. Representatives will have been briefed and will be on guard. So don't ask about matters that you can readily observe. And remember, it is often not only the information offered that is important but also gaps or discrepancies in information.

Figure: Types of data that can be collected through research, questioning and observation:

Advance research	Questions/probing	Visual observations
Technology <ul style="list-style-type: none">• E-commerce• Innovations• Patents and licenses, including expiration dates Resources <ul style="list-style-type: none">• Workforce numbers• Management attitude/capability• Intellectual capability to improve designs Capacity <ul style="list-style-type: none">• Size of plants• Output volumes• Product mix• Current projects	Technology <ul style="list-style-type: none">• Functionality and features• Alternative solutions to the market Resources <ul style="list-style-type: none">• Improvement culture• Management training• Succession plans• Learning curve data Capacity <ul style="list-style-type: none">• Exclusivity• Maintenance schedules• Sales funnel• Expansion plans	Technology <ul style="list-style-type: none">• Age of equipment• Tooling• Production processes Resources <ul style="list-style-type: none">• Improvement culture• Management attitude• Intellectual capacity to improve designs• Staff motivation• Use of temporary labour Capacity <ul style="list-style-type: none">• Equipment utilisation• Efficiency• Processes• Shift work/overtime• Current workload

Quality Control <ul style="list-style-type: none">• Continuous improvement programmes• Safety records• Product recalls	Quality control <ul style="list-style-type: none">• Statistical quality control• Customer care/feedback• Research and development principles	Quality control <ul style="list-style-type: none">• Waste levels (scrap defects)• Statistical quality control• Customer care• Inspection and validation processes• safety
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The list of data required indicates which functions should be approached during the visit, such as management, customer support and quality control. The tour route should be planned such that the important areas where data are missing are visited early in the tour. If the site is a manufacturing facility, it can be interesting to time the visit to coincide with a shift change as this enables the team to gain a wider picture of working practices.

Many suppliers are exceptionally proud and open, whilst others have secrets that they wish to conceal. The buyer should always avoid 'follow the yellow brick road' or the red-carpet treatment. Sometimes, it is only by accessing off-limit areas that the reality behind the façade is realised; for example, extreme levels of obsolete stock, dirty and neglected equipment, oil spillages – things that the supplier would rather keep hidden. The salesperson assigned to conduct the visit is likely to have a pre-determined path for the site tour and may try to maintain a rapid pace. However, this is designed to create a particular impression (i.e. to condition the team), and the buyer can counteract this by slowing down and using team dynamics to divert attention while closer inspection is made. For example, a design engineer may lag behind and ask questions of staff on the shop floor. Therefore, a fully briefed cross-functional team is beneficial: the buyer should not go alone. Each team member can apply their own expertise to discussions and observations. To gain the best perspective of the supplier, it may be appropriate to make an unannounced visit: this allows the supplier no time to hide flaws and faults or to bring into the facility items that are being made unofficially by a subcontractor.

A formal and structured approach is recommended as this signals to the supplier the visit's importance. An agenda manages the supplier's expectations and enables representatives to have relevant information to hand. Beware of repeated cancellations by the supplier: these may indicate that there is something to hide.

What to look for

Before even entering the facility much can be revealed about the business. What is the standard and age of vehicles in the car park? How well is the building fabric being maintained? Is the facility in prime real estate or in some remote location where access to qualified labour may be problematic?

Perhaps there is a skip in the corner of the car park containing hazardous waste flouting environmental regulations. Containers may indicate surplus/finished stock that is difficult to move yet sits on the balance sheet doing nothing for operating capital. Some companies don't even hide the fact that stock is sitting idle, often being exposed to the elements and steadily deteriorating, demonstrating a careless approach.

Visual clues to the status of the supplier:



Lots of new Cars — perhaps indicates higher than average salaries/packages/fleet programmes



Disposal policy - pride or lack of it amongst employees; volume of waste



Care and maintenance of building fabric; building itself; owned or leased



Location; rent and rates; distribution network; labour market pool and average wages



Inability to hide surplus stock; condition may indicate that it has been there a while



Containers may suggest that stock has been rejected, hiding excess products, tooling

Once on the tour, keep your eyes open for tell-tale signs: performance graphs posted around the facility; protective clothing; numbers of staff; space being utilised; age, size and suitability of equipment and tooling; safety culture; suppliers of parts; other customer orders being dispatched; scrap levels. What is the general attitude and atmosphere? Is pride demonstrated through a clean and well organised workspace or through prominent display of certificates of achievement? Are staff busy getting things done or dragging their heels? What happens at the end of the day? Do employees wind down 20 minutes beforehand, followed by a prompt mass exodus?

Outcomes of the site visit

If prepared effectively, the site visit should evaluate

- the degree of internal investment across the whole business
 - people: training and development, retention, pride

- technology: research and development programmes, new products, sophistication
- infrastructure: purpose-built establishment, suitability, age, cost
- general efficiency: timings, logical working solutions, delays
- quality: Total Quality Management principles
- output: yield, utilisation, work rates, idle time
- work in progress: ability to manage with present resource levels
- capacity levels: work in progress, stock levels
- internalisation versus work sub-contracted
- cost structures: direct, indirect, overheads.

The purpose of the visit is to complete (or perhaps totally remodel) the jigsaw. For example, a supplier's proposal may give an impression of a forward-thinking, dynamic and responsive company.

Yet, the visit may reveal a traditional culture, with dated facilities carrying large overheads and working practices that are cumbersome and antiquated. Or perhaps the company is owned by a venture capitalist and the visit reveals that all the equipment is leased and the business is being primed for disposal. It is only through casual conversation and astute observation throughout the tour that much of these nuggets of information can be uncovered.

Failing to record and capture observations from any supplier visit is inexcusable. The information is a valuable resource. It not only confirms or disputes the capability and capacity of the supplier to fulfil a contract, but can reveal deeper issues. It can demonstrate relationships, both on a working level among individuals and also on a strategic level, highlighting alignment or misalignment of the supplier's business plans with those of your organisation. Commercially, it can indicate costs, timelines, quality, standards and ethics. It can reduce risk from poor performance, financial constraints and ineffective supply chain management and sourcing by the supplier. It can help in future-proofing contracts, indicating the ability of the supplier to continue to meet the terms of the contract in years to come. And it can provide negotiation levers that can be applied immediately or saved for future discussions.

In addition to this wealth of insight that can be obtained, over time site visits build up a repository of information that helps in demonstrating to the wider business the necessity for such visits, for their regular use and for procurement to be involved.

The perception of the humble site visit needs to be re-evaluated. It is essential to effective supplier selection and supplier relationship management, enabling the minimisation of risk and the maximisation of value for money. The insight achieved will increase your buyer power.

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