

*Building a Strong Supplier Evaluation Process:  
How Credit Managers Can Contribute to a  
Secure Supply Chain*

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*As originally published in the Credit Research Foundation 4Q 2020 Credit & Financial Management Review*

**Abstract**

*In times of economic vulnerability, it is not only important to stabilize customer relations, but also to secure the integrity of the supply chain. But how can organizations monitor the financial stability and economic strength of their suppliers in a systematic manner? One way is by applying the skill set from the customer credit risk determination to the supplier side. Credit departments evaluating supplier risk is a growing trend and can be seen more and more among credit organizations.*

In recent years, the discipline of maintaining business integrity in the cash-in and cash-out processes has morphed into something new. Increasingly, credit managers are being engaged on the procure-to-pay side: They are taking on new roles and responsibilities and applying their expertise to determine and prevent risk. This role becomes especially important during times of economic vulnerability when companies must ensure supply chain stability and regularly vet the financial health and economic stability of their suppliers. This development is quite important, as a number of public accounting firms demand or require that a financial risk analysis also be done on the supplier side. As a result, organizations are transitioning the credit risk management skill set over to the supply side. This comes as no surprise as the supplier evaluation process is a natural fit for credit managers. They can easily extend credit risk determination from the customer side to the supplier side using the same techniques and methods of scoring and evaluation.

### **Key Challenges in Supplier Evaluation**

The first step towards systematically determining supplier risk is...

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