

Report on Supply Chain Compliance Volume 3, Number 18. September 17, 2020 Vetting suppliers during a pandemic

By Karen Kroll

How does an organization conduct due diligence on vendors during a pandemic? It's a question that supply chain professionals are asking more often these days as their organizations shift production in response to changes in suppliers' operations and customer demand. "Performing due diligence during [the COVID-19 pandemic] isn't easy, with no travel budgets and many plants secured to outside visitors," said Sarah Rathke, partner with Squire Patton Boggs and an expert in complex supply chain disputes.

Yet, effective due diligence remains critical. "A supplier's noncompliance with applicable regulations can result in the purchaser's own product violating regulatory requirements," said Rob Ware, a partner with Thompson Hine with broad experience in supply chain management. Ensuring a suppliers' compliance with regulations also reduces the risk that an action against the supplier leads to a plant shutdown or other disruption, he added. In addition, many buyers, whether corporate or consumer, want to ensure the companies with which they do business reflect their own values.

While it may be tempting to assume a firm is too small to attract the notice of regulators, that's a risky strategy. Once you're on the regulators' radar, it doesn't matter whether your company is General Motors or a mom-and-pop business, said Jack Ulrich, founding member of the defense contracting and regulatory compliance practice group with Kotz Sangster. If conducting appropriate due diligence is beyond the company's resources, it should consider engaging outside experts.

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