



Small Business Bulletin

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Vendor Management for Small Businesses

Vendors provide access to expertise, products and services that help a business run. Vendor management is important for a small business's overall success and growth because it can help organizations control costs, minimize risks and improve services, but the practice can be challenging. However, there are strategies small businesses can implement to efficiently manage their vendor relationships to optimize the processes. This article explores vendor management, including potential challenges and best practices for small businesses.

What Is Vendor Management?

Overall, the purpose of vendor management is to build, maintain and strengthen relationships that are essential to an organization's success and provide benefits such as lowered costs or increased output. It's important to note that vendor management requires discipline and coordination regardless of small businesses' practices for managing their vendors. This is because the key elements of successful vendor management include vendor selection, contract negotiations, onboarding, vendor performance monitoring, risk management and payment processes.

Importance of Vendor Management

Vendor management is important for a variety of reasons, including enabling better vendor selection, streamlining contract management, creating stronger vendor relationships, enhancing vendor performance management and creating overall better value. The end goal is to help an organization succeed and ensure its overall market performance by improving efficiency and lowering costs. To reap the benefits of effective vendor management, it's important to consider

assessing and mitigating outsourcing risks, establishing expectations and controlling costs.

Vendor Management Challenges

Working with vendors can present challenges small businesses must consider. The most common include the following:

- Compliance risks
- Payment terms
- Data storage and security
- Reputation management

Vendor Management Best Practices

With challenges in mind, it's important to establish practices to follow when choosing to work with vendors. Small businesses can consider these best practices:

- Be selective.
- Review all contracts.
- Communicate and collaborate.
- Be a good customer.
- Monitor and measure performance.
- Be a good customer.

Additionally, using a vendor management system can help simplify vendor management for small businesses.

Employer Takeaways

Working with vendors has many moving parts for both the small business and the vendor. Each small business has unique capabilities and vendor needs, so vendor management strategies that work for one business may not be the best choice for another. However, by establishing vendor management best practices, small businesses can establish effective vendor partnerships to help ensure long-term success and mitigate their risks.

Employment Policies for Small Businesses to Consider in 2023

Employee handbooks are important tools for small businesses to help establish employee expectations, address workplace issues and defend against potential lawsuits. Failing to update employee handbook policies regularly can make small businesses vulnerable to legal risks and liabilities, resulting in costly fines, penalties and attorneys' fees. Employment laws are often complicated, and small businesses need to be aware of any new regulatory developments that may impact their organizations and workforce. Yearly employee handbook reviews are an excellent time to review and update the policies.

The following are some employment policies small businesses should consider reviewing in 2023:

Pay Transparency

More employees are demanding pay transparency as a result of changing labor markets and workforce demographics. With demands for pay transparency increasing, some states—including California, Colorado, Connecticut, Maryland, Nevada, Rhode Island and Washington—have passed legislation in recent years requiring employers to be transparent. Some cities, including New York City, Jersey City and Cincinnati, have also passed such laws.

As applicable laws and regulations related to pay transparency vary based on jurisdiction and employer size, small businesses must consider their legal obligations. Considerations involve the jurisdiction where employees physically work. Some jurisdictions' laws only require employers to provide pay ranges if the candidate requests it; others require employers to disclose this information upfront.

Paid Leave

In 2022, many states and localities enacted paid leave laws. This year, several previously enacted leave laws became effective in various states and cities throughout the United States; many other states have recently proposed paid leave legislation. These laws ensure workers continue receiving a portion of their wages when they're

unable to work under certain circumstances, such as due to illness or the birth of a child.

Because of the increasing number of states and localities adopting paid leave laws, small businesses must ensure their leave policies are current and comply with local laws. It is critical to review existing policies to confirm they conform to state and local regulations of the location where employees physically work.

An employer's leave policies can clearly explain when employees are eligible for paid leave and provide any steps they must follow to request it. Small businesses should also verify their leave policies do not unintentionally discriminate against employees based on a protected class.

Expense Reimbursement

Federal law requires employers to reimburse employees for expenses that cause an employee's pay to drop below the federal minimum wage. However, some state and local laws require employers to reimburse employees for work-related expenses, such as telephone or internet fees, office supplies, and heating or cooling costs. Employee expenses are considered wages under several state reimbursement laws and are subject to the same timing requirements as wage payments. Additionally, when small businesses reimburse employees for office equipment or devices, it may create issues about who owns the item.

The number of lawsuits claiming employers failed to reimburse employee expenses is quickly rising, so it's vital that small businesses ensure their reimbursement policies comply with state and local laws.

Employer Takeaways

Outdated policies can often expose small businesses to unnecessary legal risks. Regularly reviewing and updating employment policies is an effective and low-cost way for small businesses to protect themselves. By understanding the most important sections to review in 2023, small businesses can take steps to ensure their employment policies are current and reflect the most recent regulatory developments. Employers should consider conferring with local legal counsel if they have questions or concerns regarding pay transparency requirements.

Reach out to Franconia Insurance & Financial Services for more workplace resources.