



Best Practices Journal...

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New articles in this Edition:

- **Optimal Stages of Strategic Sourcing Process...What Are They Really?** - by Mark Trowbridge, CPM
- **The Importance of Long-Term Business Planning for Supply Chain Organizations** - by Robert Dunn, MBA, CPM

Strategic Procurement Solutions, LLC is a niche professional services firm dedicated only to the advance practice of Supply Management.

Key Services include...

- **Staff Augmentation (Temporary, Project, Contingency Search)**
- **Online Skills Assessment Diagnostics**
- **Professional Develop Services (Training, Coaching, Org Development)**
- **Expertise in Strategic Sourcing of High ROI Spend Categories**
- **P2P Efficiency Enhancements, and**
- **Outsourcing Project Expertise (LCC & BPO).**

Optimal Stages of Strategic Sourcing...What Are They Really?... by Mark Trowbridge, C.P.M., Principal

A large number of Fortune 500 clients have hired **Strategic Procurement Solutions** to present training in advanced sourcing practices to their supply management personnel. In several of these situations, the organizations have already been exposed to strategic sourcing by large consultancies...and they've requested that we harmonize the training content to the "stages" of sourcing they've learned from their particular consultancy (we actually get lots of business doing training after the largest consultancies have swept through a client organization...due to the deep content quality of our programs...).

Strategic Procurement Solutions' clients

Where this gets interesting...is that none of

range from Fortune 100 to Russell 2000 in size; and include numerous Global enterprises as well. We also work with leading public sector supply chain groups, and are one of a small group of consultancies pre-qualified by NASPO and WSCA to perform Strategic Sourcing consulting for member agencies.

the largest supply chain consultancies seem to agree upon the order, importance, or content of the Strategic Sourcing stages. Some preach a 7 stage process. Others proclaim 5 or 6 stage processes. And nobody seems to agree upon what actions each stage should contain...

Why is this? Well, one of the reasons is that no consultant worth their salt is going to use content developed by another. So they've got to present something "new" & "different" to their own clients....hence the differing numbers & ordering of sourcing stages. Another reason is that some of the generalist management consultancies just don't understand sourcing very well...and get the sequencing/content wrong.

The most-common errors we see with many consultancies' approach to Strategic Sourcing is their failure to address the importance of the **Demand Management, Negotiation, Implementation** and **CPI/Supplier Management phases**...which also coincides with the clients' biggest complaint about typical consultancies, i.e. *"Our consultants claimed big savings, but rode off into the sunset before anything was implemented...we never got the full savings"*

No matter the reason, problems arise when advisory firms depart from the most efficient order and grouping of Strategic Sourcing stages...just because they've got to present something different.

So what is the best staging of Strategic Sourcing activities? Any solid sourcing process should progress through the following activities. If *any* of these are shortchanged, your organization won't achieve the savings & supply chain maturity that are available:

Preparing for Strategic Sourcing

- ✓ Do We Have A Sourcing Project?
- ✓ Selling Early Procurement Involvement
- ✓ Internal Customer Needs - A Comparison Of Needs
- ✓ Internal Customer Relationship Management
- ✓ Common Procurement Myths
- ✓ Developing A Marketing Plan
- ✓ Internal Customer Marketing Support Tools
- ✓ Establish Steering Committee & Sponsor Team

- ✓ Establish Cross-Functional Team
- ✓ Project Plan Preparation

Profiling The Category

- ✓ Getting Started With The Strategic Sourcing Process
- ✓ Defining The Sourcing Category
- ✓ Identify Basic Category Characteristics
- ✓ Collect And Analyze Basic Information
- ✓ Expenditure Analysis
- ✓ Request For Information (RFI)
- ✓ Stakeholder Interviews
- ✓ Process Review and Mapping
- ✓ Total Cost Of Ownership Identification
- ✓ Cost Reduction Opportunity Development
- ✓ Market Analysis
- ✓ Market Segmentation Identification
- ✓ Defining Balance of Power in the Supply Market
- ✓ Sourcing Category Evolution

Developing Category Sourcing Strategy

- ✓ Definition of Sourcing Strategy
- ✓ Category Positioning Matrix
- ✓ Factors Determining Buyer Power and Category Criticality
- ✓ Opportunities for Creating Value From Strategic Sourcing
- ✓ Strategic Sourcing Approach
- ✓ Positioning the Sourcing Category

Generating Supplier Portfolio

- ✓ Supplier Portfolio Generation
- ✓ Developing the Candidate Supplier List
- ✓ Supplier Types
- ✓ Supplier Capabilities
- ✓ Source Location
- ✓ Supplier Profile
- ✓ Identification of Potential Suppliers
- ✓ Developing the Short List of Pre-qualified Suppliers
- ✓ Evaluation Criteria and Methods
- ✓ Data Collection
- ✓ Request for Information
- ✓ Supplier Evaluation Summary
- ✓ Stakeholder "Buy-In"

Competitive Selection or Supplier Development

- ✓ Selection of Implementation Path
- ✓ Identification of Preferred Supplier(s)
- ✓ Supplier Development and the Strategic Sourcing Process
- ✓ Supplier Development Constraints
- ✓ Negotiation Strategy – Competitive vs. Collaborative

Selecting Competitive Supplier(s) and Negotiate

- ✓ Preliminary Strategy Formulation
- ✓ Proposal Generation
- ✓ Developing the Request-For-Proposal (RFP)
- ✓ Proposal Solicitation and Evaluation
- ✓ Potential Post-Bid Problems
- ✓ Post-Bid Strategies
- ✓ Negotiations Overview
- ✓ Negotiation Goals
- ✓ Negotiation Strategies and Methods
- ✓ Preparing for Negotiations
- ✓ Negotiation Tools
- ✓ Negotiation Process

Implementation

- ✓ Key Implementation Activities
- ✓ Key Implementation Factors
- ✓ Cross Functional Team Roles and Responsibilities
- ✓ Communication Needs
- ✓ Communication Methods
- ✓ New Process Implementation
- ✓ Cost Savings Calculation and Tracking
- ✓ Savings Spend Baselines
- ✓ Cost Savings Tracking Key Elements
- ✓ Savings Calculation Methodologies
- ✓ Utilizing the Market Basket Approach
- ✓ Baseline Savings Reporting Approaches

Continuous Improvement

- ✓ Continuous Improvement Activities
- ✓ Continuous Improvement Monitoring
- ✓ Key Contract Administration Players
- ✓ Tips for Pro-Active Contracting
- ✓ Monitor Performance – Benchmarks
- ✓ Progression in Supplier Relationships
- ✓ Supplier Performance Rating System
- ✓ Supplier Performance Criteria
- ✓ Supplier Performance Reporting
- ✓ Benchmarking

For information about detailed training in each of the above Strategic Sourcing steps, please feel free to visit us at

www.StrategicProcurementSolutions.com

A full PDF version of any of our newsletters can be downloaded without charge from the **Strategic Procurement Solutions** website **Publications** page (see bottom of this journal for the site address). The full versions include graphics & content not

The Importance of Long-Term Planning for Supply Management Organizations... by Robert Dunn, M.B.A., C.P.M., Principal

When I earned my M.B.A., my professors

available in this HTML format.

Also visit the **Strategic Procurement Solutions** website's **Research** site page (see bottom of this journal for the site address) for links to key supply management content Internet sources (pricing indexes, cost modeling sources, industry publications, etc). These are provided without charge by us, as a helpful resource for our clients & colleagues.

drilled into my classmates and me the importance of formal planning for the success of any business. This planning typically fell into short term "**tactical**" planning, and then long-term "**strategic**" planning one, three, and five years in duration.

Today's supply management organizations are learning that they too need to be run like a formal business. Gone are the days of annual focus only upon targeted "sourcing" projects to achieve a yearly "savings" dollar amount.

Top procurement groups certainly are held to aggressive savings targets today...*but they can only achieve and reproduce them over time by executing **long-term** strategies.* This is especially true for mature sourcing organizations which have picked all the "low hanging fruit"...and need to execute sophisticated strategies in order to yield year-over-year saving contributions.

So why is long-term planning necessary for supply management success?

- **First** – **Because sourcing strategies are multi-year in nature.** A portfolio of supplier contracts rarely expires every year (usually 2 – 5 years), and thus a multi-year strategy is necessary to systematically source all spend categories.
- **Second** – **Because capital spending on technology tools is time-dependent.** The license on that "old" ERP system software might not expire until 2007, and thus the project to select and install a new eProcurement technology must be timed accordingly.
- **Third** – **Because key aspects of supply chain planning are dependent upon the business itself.** If the parent organization is growing, contracting, or changing...the supply management group needs to plan and execute accordingly.
- **Fourth** – **Because a good supply chain strategy must be managed aggressively** to be successful. Each step in the sourcing & supplier management process must be broken-down into assigned responsibilities, and managed closely through completion.
- **Fifth** – **Because relationships with internal customers and external**

suppliers *take time* to bring to a point of value-contribution. Change takes time, and relationships must usually be strategically nurtured before value can be achieved.

Strategic Procurement Solutions is often selected by leading supply management groups to facilitate their own business planning processes. The requested services included *training in Expert Strategic Sourcing techniques, development of detailed commodity sourcing plans, and facilitation of organizational planning discussions (at both an executive and sourcing strategist level).*

Please email us at

[**Info@StrategicProcurementSolutions.com**](mailto:Info@StrategicProcurementSolutions.com)
for more information.

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