

# 7 key steps to running an effective procurement process.

Are your tender processes lengthy and complicated? They don't need to be. Here are seven simple steps you can take to make sure you cover all eventualities - without becoming caught up by process and paperwork.



## 1 Understand and define your needs.

Get to grips with everything about the service or product: this means definitions, usage, what has been specified and why, current and future needs and trends. This is also the point where you need to identify stakeholders who will be involved in the processes from all parts of the business.

## 2 Assess the market.

Look at the supplier marketplace and run supplier assessments in order to find alternatives to existing incumbents. Also think about whether you want to invite your incumbent supplier to tender for the new contract. Understand the key supplier marketplace dynamics and current trends. Take a view on the key suppliers' sub-tier marketplace and analyse for any risks as well as opportunities.

## 3 Prepare a supplier survey.

A survey will help you to evaluate potential supplier capabilities to meet your requirements. This is a quick identifier at the start of the process to assess whether your requirements are feasible and can be delivered by the suggested supplier base. This is also a mechanism to encourage the right 'type' of suppliers to respond to you.

## 4 Build the strategy.

Your procurement and sourcing strategy will encompass the previous three steps, but also consider the following points:

a) **How competitive the supplier marketplace is:** Are you a strategic account for your potential service providers? Dynamics will change as you move onto a bigger and better service provider and smaller accounts are less likely to be able to leverage relations. It is better to get an 'A' team from a smaller provider than a 'Z' team from a larger provider.

b) **How supportive your organisation's users are to testing incumbent supplier relationships:**

A sourcing team has two sets of internal stakeholders: the people who use the things that are bought, and the executives who manage overall costs. Users will be happy to embrace a new service provider as long as the service itself is not disrupted and the relationship with the incumbent does not deteriorate. Those managing costs will be happier if costs are improved but they will also be concerned about service quality.

c) **Getting the most out of your supplier:** Collaborating with your supplier is a key area that needs to be explored in order to grow a successful relationship and avoid becoming a statistic. You might want to look at ways to collaborate with your supplier in order to:

- Reduce complexity and in turn increase productivity.
- Create corroborative process improvements that reduce the cost of doing business.
- Change the way the relationship is structured, e.g., invest in supplier operations to guarantee access to supply, new technology or process improvements.
- Become a reference site, or case study. If the supply base is competitive, you can harness those forces to leverage better pricing or terms. If you don't have any leverage over your supply base then you are relying on good faith that suppliers will share new approaches and innovations with you.

## 5 RFX (or Request for 'X').

Where a competitive approach is used, a request for proposal or bid will need to be prepared (whether it's an RFI, RFP, RFQs, eRFQs, ITTs or the collective RFX). This will define and make clear the requirements to all prequalified suppliers. It should include product or service specifications, delivery and service requirements, evaluation criteria, pricing structure, service level agreements (SLAs), key performance indicators (KPIs), Service Credits and financial terms and conditions. A communication plan should also be implemented at this stage to attract maximum supplier interest. Ensure that every supplier is aware they are competing on a level playing field. Again, think about whether you want to invite your incumbent supplier to tender and do it for the right reasons: it's an expensive process to run tender and even to respond to, so it will only deteriorate relations further if you have no intention of considering them as a proper contender. Once the RFX is sent out to all potential suppliers, make sure they are given enough time to respond, or the opportunity to reasonably request an extension. You should request that potential suppliers confirm their intention to respond, to ensure at the end of the process you do not end up with no responders, even follow-up messages should also be sent out to encourage a greater number of the 'right' type of responders.

## 6 Selection process.

This is where the negotiations come in. The sourcing team need to apply its pre-determined evaluation criteria to the supplier responses and if you need more information then ask for it. Manual and electronic tools can both be used for this purpose. Think about the long-term goals and the collaborative piece mentioned earlier; cost savings are not the 'be all and end all', if we look back to the opening statistic it's clear that the relationship between a supplier and client is at the heart of a successful contract, and if you are looking to drive innovative practises and get ahead of the competition then this should be your focus over pure financials.

## 7 Transition and implementation.

There will be a period of transition while the service hands over from the incumbent to the new supplier. Make sure that all parties are well communicated with and understand their role and responsibilities. Inform all users of the changes and closely monitor the new supplier's performance during this period to ensure that it lives up to expectations.

eWhilst there a number of triggers which may prompt organisations to review their procurement strategies, it can be done at any time. The most important consideration is that you follow a well-managed process to reach your desired outcomes.

Let us guide you to a successful outcome. [Speak to us today.](#)