



JABIAN CAPABILITIES

Strategic Sourcing and Vendor Selection

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STRATEGIC SOURCING AS A COMPETITIVE DIFFERENTIATOR

Companies often overlook the use of vendors as a strategic option to help meet their business goals.

Strategic sourcing is complex, and choosing the right sourcing approach can be challenging. Your answers to the following questions can have a significant impact on your business performance.

What to source?

Who are the right vendors to engage?

How do we build mutually beneficial partnerships?

Jabian's approach to vendor sourcing provides the thought leadership and frameworks necessary to help minimize the risk of wrong sourcing decisions. We guide our clients to the right sourcing opportunities and help them select the best partners.



COMMON REASONS TO SOURCE

Consider the wide range of options that sourcing can provide to meet your organization's objectives.

Sourcing may not be the first thing that comes to mind when developing a new product, managing your costs, or building a new capability. The examples shown on the following page represent a variety of reasons to invest in sourcing.



**INCREASE
SPEED**



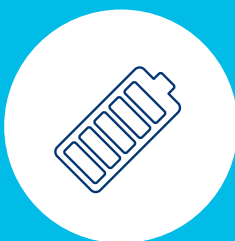
**LOWER
COSTS**



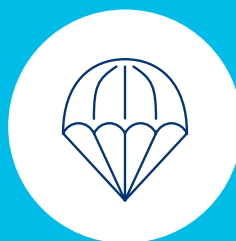
**INCREASE
QUALITY**



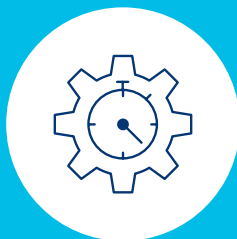
**INCREASE
OUTPUT**



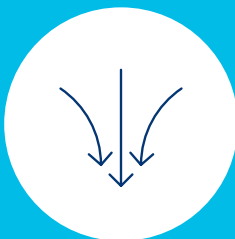
**INCREASE
CAPACITY**



**REDUCE
RISK**



**INCREASE
PRODUCTIVITY**



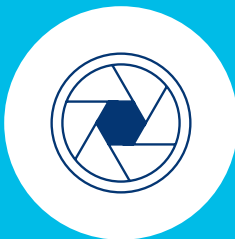
**ACQUIRE
ASSETS**



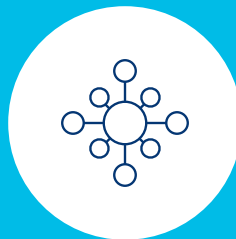
**BUILD
PARTNERSHIPS**



**ACQUIRE
EXPERTISE**



**FOCUS ON
COMPETENCIES**



**INCREASE
MATURITY**

STRATEGIC SOURCING DEFINED

What third-party solutions can help you meet your business goals?

Strategic sourcing helps you understand your business needs and align them where the marketplace can provide the most value.

KEY FUNCTIONS WITHIN STRATEGIC SOURCING

SPEND ANALYSIS

Spend analysis on your current procurement budget

Identify specific needs that third parties may provide to add value or reduce cost.

MARKET ANALYSIS

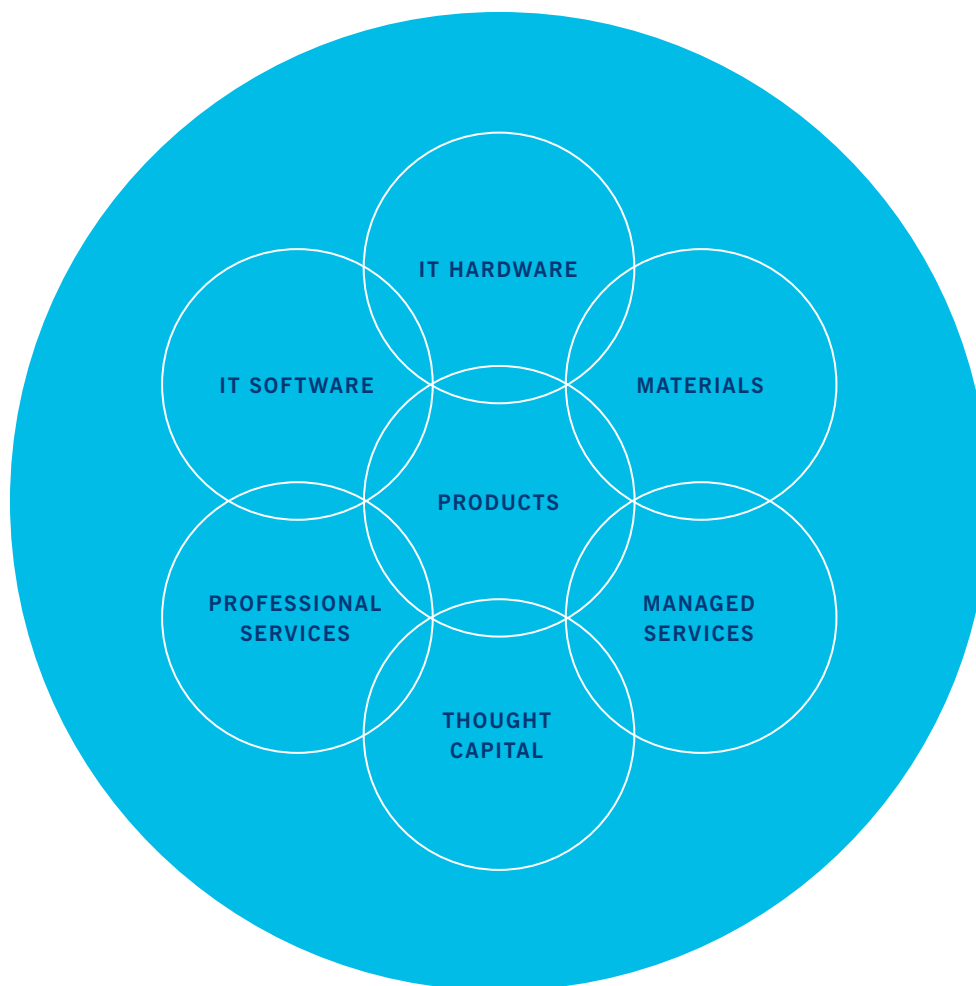
Market analysis of vendors that can fill business needs

Determine if those needs are best served through multiple vendors or a single-sourced partnership.

ALIGNMENT

Alignment with your overall corporate strategy

Assess the impacts of potential sourcing opportunities, gain buy-in from impacted stakeholders, and ensure alignment with strategic priorities.



SOURCING OPPORTUNITIES

What are some common sourcing opportunities?

IT HARDWARE

Hardware solutions to enable operations.

Examples: laptops, servers

MATERIALS

Supplies to construct a physical product.

Examples: alloys, ceramics, plastics

MANAGED SERVICES

Sourcing an entire business function to a vendor.

Examples: help desk, IT servicing

THOUGHT CAPITAL

Necessary subject-matter expertise that is not a core competency of a business.

Examples: competitive research

PROFESSIONAL SERVICES

Resources used to increase the delivery capacity or performance capabilities of an organization.

Examples: business consultants or IT consultants

IT SOFTWARE

Software solutions to enable operations and analysis developed by another organization.

Examples: Oracle®, Microsoft Office®, Workday®

PRODUCTS

Goods that can be consumed by organizations or employees to enable operations.

Examples: office supplies



IDENTIFYING WHAT TO SOURCE

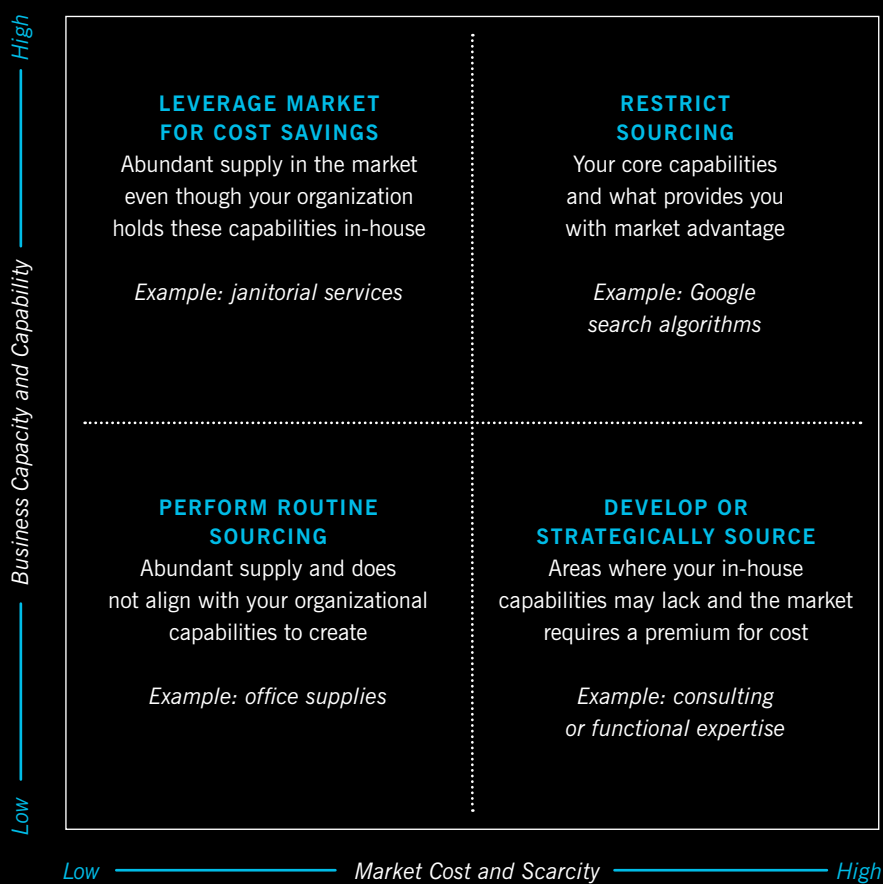
How do you find the value of a sourcing opportunity?

Start by understanding the cross-section between the core competencies of your business and the market conditions. Several frameworks exist that discuss the importance of finding the right sourcing opportunities. Each of these frameworks rely upon an understanding of your business and the marketplace's ability to enhance your business.

Jabian's strategic sourcing approach helps you evaluate your internal spend and analyze the external market for opportunities that align with your overall corporate strategy. We do this with the ultimate goal of identifying collaborative supplier relationships that provide stable value to both you and your vendors.

JABIAN STRATEGIC SOURCING VALUE MODEL

How to identify things that should be sourced versus things that are mission-critical company functions.

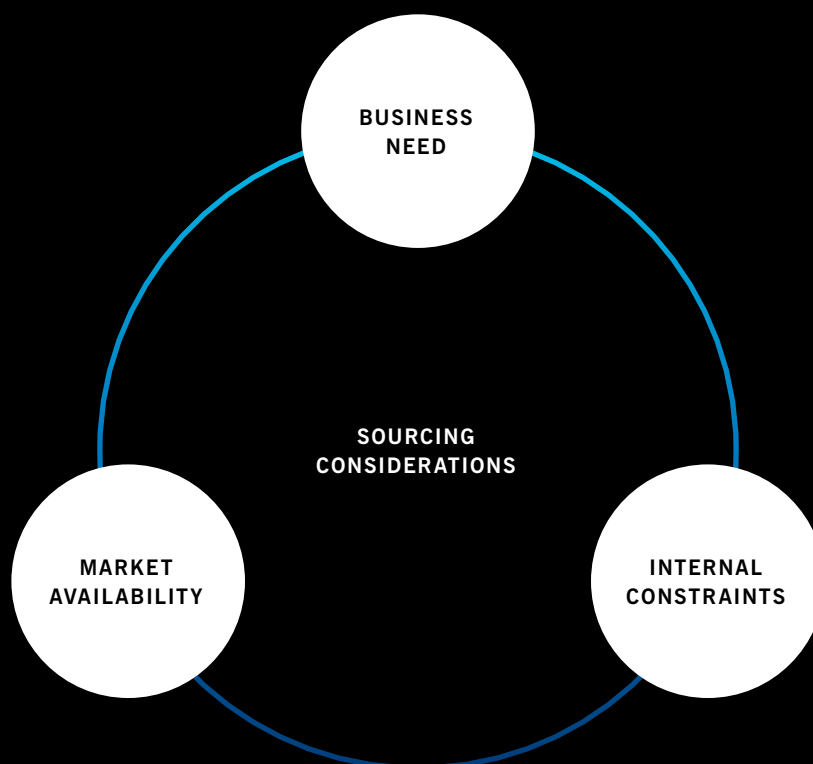




ALIGNING A SOURCING EFFORT WITH YOUR CORPORATE STRATEGY

When building the overall business case for sourcing initiatives, answer the questions above.

It's important to align the identified sourcing opportunities with a clear value proposition and your overall corporate strategy. As you develop your sourcing approach, account for the considerations shown on the following page.



**BUSINESS NEED:
SCOPE**

HOW CLEARLY DEFINED IS YOUR SOURCING NEED?

- Scope of product/ software/services
- Timing of need
- Frequency of need
- Level of quality
- Expected value of return

**INTERNAL CONSTRAINTS:
BUSINESS IMPACT
AND BUDGET**

WHAT ORGANIZATIONAL FACTORS MUST BE TAKEN INTO ACCOUNT?

- Company size
- Impacts to people/ process/technology
- Vendor management maturity
- Available and sustainable budget
- Competing priorities

**MARKET AVAILABILITY:
MARKET**

WHAT IS THE MARKET LANDSCAPE FOR THE GOODS AND SERVICES YOU NEED TO SOURCE?

- Sourcing models
- Number of available vendors
- Market competition
- Single or multiple vendor approach
- Market availability of service or good

HOW TO DETERMINE THE APPROPRIATE LEVEL OF DUE DILIGENCE

The required level of due diligence is unique to each sourcing decision.

Consider the following factors to get the most value from your vendor selection approach.

SCOPE

Develop clear sourcing requirements so that you can communicate them to the market and evaluate potential solutions. The amount of effort needed to develop requirements is based upon the complexity of the scope and how well it is defined within your organization.

BUDGET

Like spotlights, budgets draw attention within any organization. The bigger the budget, the brighter the spotlight. With increased budget comes an increase in the due diligence required to ensure the organization receives the value it expects from the vendor.

BUSINESS IMPACT

The amount of expected business value tied directly to a sourcing decision should increase the level of due diligence. Imagine the best-case and worst-case scenario for the final outcome of the partnership. Then, evaluate the potential positive and negative consequences to your business.

MARKET

The state of the market for your business need will influence your level of due diligence. A commonly defined solution or product allows you to focus your efforts on the differentiated features. When a variety of approaches can address the same business need, the comparison becomes more challenging. In addition, high market scarcity of any solution or product drives greater variability in cost and quality, leading to an increased need for due diligence.

	LOW	MEDIUM	HIGH	CRITICAL
SCOPE	Simple and defined	Simple and vague	Complex and defined	Complex and vague
BUDGET	Small	Medium	Large	Extra large
BUSINESS IMPACT	Low	Medium	High	Critical
MARKET	Highly available and market defined	Scarce and market defined	Highly available and business defined	Scarce and business defined

The matrix helps you assess the value of a structured vendor selection. If your sourcing opportunity falls in the shaded grey area for at least two of the four defined factors, then we recommend a structured vendor selection to minimize your sourcing risk.

MARKET DEFINED

Solutions or products that have a low range of variability in form or function; all consumers understand them in the same way.

Examples include: windshield wipers or package delivery services

BUSINESS DEFINED

Solutions or products where a wide range of possible vendor approaches could customize or configure something to meet specific business requirements.

Examples include: Corporate Strategies or Corporate Solutions (i.e. Human Capital Management System or Enterprise Resource Planning System)



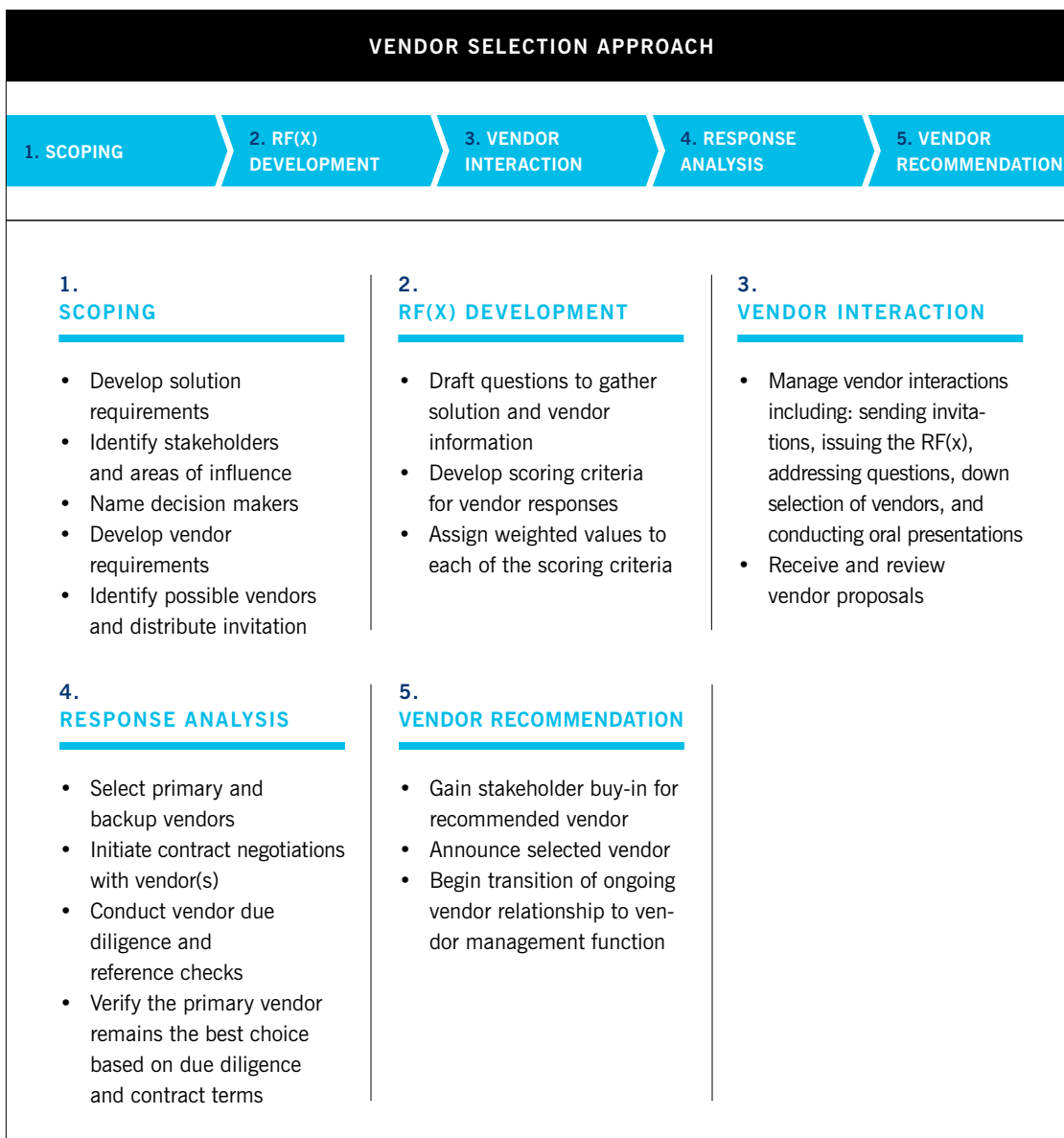
VENDOR SELECTION

What do you need from your vendor and how do you find the right one?

The foundation for selecting the best vendor begins with understanding your own business needs. Based upon your needs, there are different formats for gathering information from prospective vendors. A well-defined request will help ensure that vendors provide details that address the same scope, allowing for an apples-to-apples comparison. The process should allow stakeholders to have the right level of interaction with the vendors to make informed decisions. These decisions should be weighed against the prioritized business needs. Following this structured approach can help you make an objective recommendation.

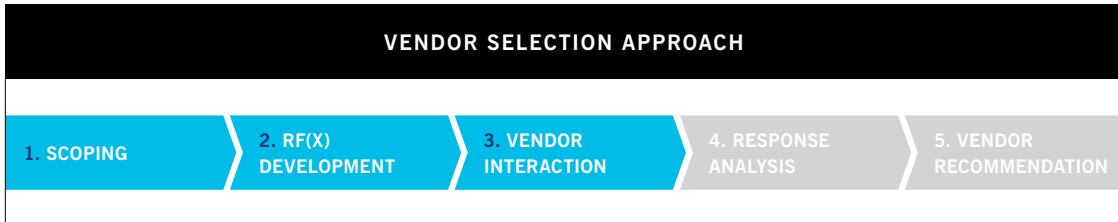
VENDOR SELECTION APPROACH

Structured vendor selection starts with scope definition and stakeholder alignment.



VENDOR SELECTION ENGAGEMENT FORMATS

There are various industry standards for interacting with the market to find the right vendor.



Several possible solutions Clearly defined solution

RFI
VENDOR SOLUTIONS UNKNOWN

A broad, open inquiry to the market to help you understand available options.

Best used when: *Solutions within the market are undefined or unknown to the consumer.*

Provides: *Market insights, interaction with potential vendors, insights into viable solutions, rough project complexity, and cost estimates.*

RFP
DIFFERENT APPROACHES ACROSS VENDORS

A business requirements-based request for specific solutions to the sourcing problem (sometimes based upon a prior RFI).

Best used when: *A well-defined sourcing problem can be approached in different ways.*

Provides: *Detailed approaches from qualified vendors and an opportunity to assess solution fit.*

RFQ
SIMILAR APPROACHES ACROSS VENDORS

An opportunity for potential suppliers to competitively bid on the clearly defined solution.

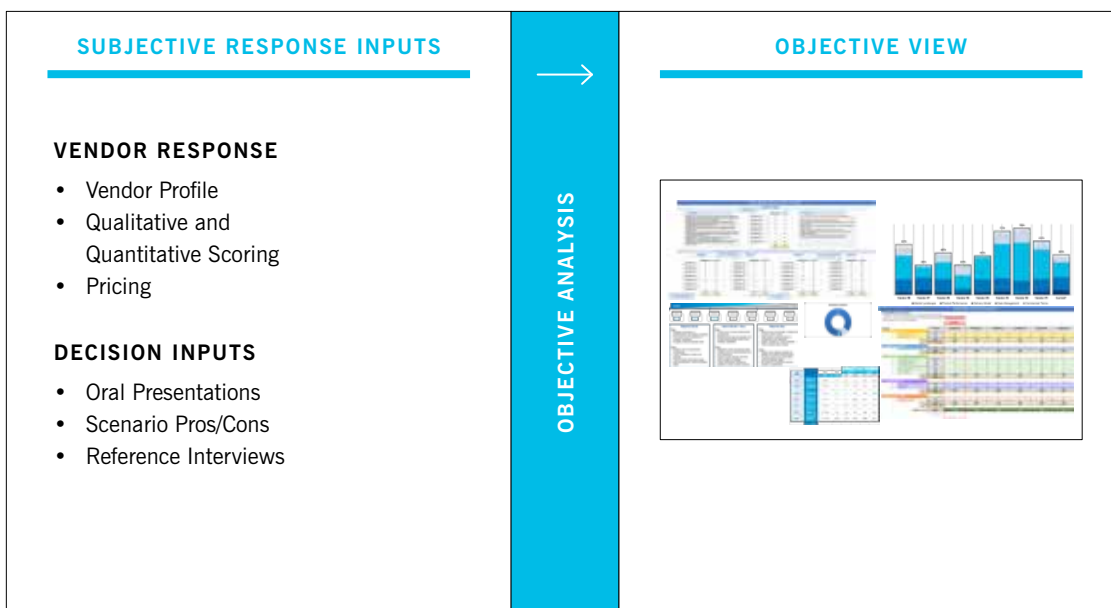
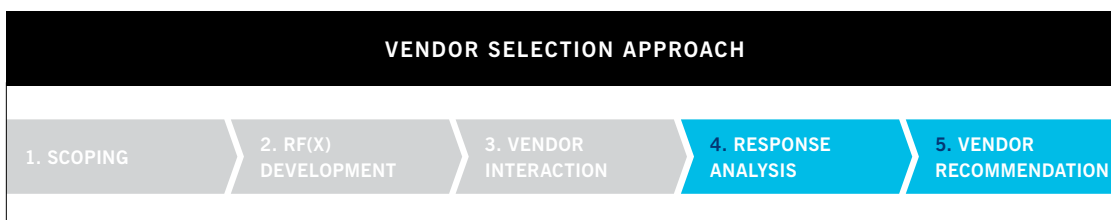
Best used when: *The market has defined the solution and cost, and terms are the primary differentiators between suppliers.*

Provides: *A clear comparison of cost and terms for the product or service.*

VENDOR SELECTION ANALYSIS

Visual comparisons of each vendor against weighted scoring criteria enables objective decision making.

Vendor responses will often include a level of subjectivity. Experienced vendor selection professionals can help identify and translate these subjective inputs into views that help stakeholders make more objective decisions.



Jabian's approach to vendor selection includes an array of activities and deliverables to provide documentation that is traceable, visual, and reusable for enterprise-wide communications.

VENDOR SELECTION DELIVERABLES

These deliverables are representative of an approach that can be scaled up or down to meet the specific due diligence needs required for making a confident sourcing decision.

1. SCOPING

Solution and Vendor Requirements

Clearly defined needs to be sourced. Requirements are the value drivers for the vendor relationship.

Launch Deck

Executive summary of the requirements, the rationale for sourcing the requirements externally, and the high-level schedule for the sourcing process.

Vendor Invitation Matrix

Initial analysis of vendors to identify the vendor invitation list.

2. RF(X) DEVELOPMENT

Vendor Selection Schedule

Detailed schedule of activities, milestones, and roles within the process to select vendors.

Request for Proposal

Document sent to vendors that communicates requirements and asks each vendor to propose how they would meet them.

Scoring Matrix

Weighted criteria based on requirements and value drivers that map to the RF(x). Serves as the central tool for analysis.

3. VENDOR INTERACTION

Vendor Q&A

Communications with vendors to provide additional detail and insight beyond the RF(x) to the vendors.

Vendor Response Packet

Collection of vendor proposals summarized for review by the stakeholders.

Orals Use Cases

Scenarios designed to mimic situations that may arise during the vendor relationship. Seeks additional information not obtained in the RF(x) response.

4. RESPONSE ANALYSIS

Scoring Matrix Analysis

Summary of the stakeholder evaluations of the RF(x) response and orals. Facilitates fact-based decisions and minimizes emotional bias.

Reference Questionnaires

Standardized due diligence questions to probe vendor capabilities, relationships, and weaknesses.

Vendor Selection Options

Strategic and collaborative assessment comparing advantages, disadvantages, risks, and opportunities for each prospective vendor.

5. VENDOR RECOMMENDATION

Executive Readout

Executive summary that includes the value proposition, selection process, vendor scores, down-selected options, and recommendation.

Selection Justification

Document that lists all participating vendors, rankings against criteria, and summary of the recommendation.

Vendor Performance Management Inputs

Contractual SLAs and non-contractual criteria that will measure performance of vendor(s).



VALUE OF A VENDOR SELECTION MANAGER

Focused resources who are experienced in vendor selection help ensure a successful outcome.

A vendor selection manager is more than just a project manager.

- Serves as the single point of contact for all interaction with vendors
- Gathers stakeholder information about the sourcing need
- Brings pre-defined sourcing criteria which can provide a base for selection requirements
- Applies experience to assess proposed engagement models and service-level agreements
- Manages vendor negotiations to ensure the agreement provides the best value
- Provides independent and objective evaluation of vendor capabilities without internal corporate or external partnership bias
- Facilitates discussions with vendor references
- Ensures confidentiality of the decision criteria, between the pool of vendors, and of the final sourcing strategy

KEY DIFFERENTIATORS

Jabian’s structured approach and experienced professionals gather complete requirements, clearly communicate them to vendors, and facilitate internal analysis leading to better vendor selection outcomes.

ITEMS

WHY THEY LEAD TO BETTER OUTCOMES

Clearly documented scope, requirements, and expectations



Vendor responses will contain more specific approaches, deliverables, and costs enabling better vendor comparison

Engaged employee stakeholders



Greater involvement by those who will be most impacted by the vendor decision helps to avoid “victim syndrome”

Clear and consistent communications (both internally and with vendors)



Ensures all vendors receive the same information, have an opportunity to ask questions, and internal stakeholders understand their role in the RFP process

Well-defined and documented scoring criteria



Improves scoring consistency and increases awareness of the priorities for each stakeholder group

Multiple qualified participating vendors



Improves the volume and quality of information, and drives competitive pricing

Personalized and interactive dialogue with prospective vendors



Developing customized and relevant discussion topics with prospective vendors provides an opportunity to experience what it would be like to work together

CONCLUSION

Successful strategic sourcing and vendor selection requires the right level of resource commitment, coordination with the business, and due diligence.

Business function leads, often working with procurement, should periodically ask the following questions:

What needs can be provided by a third-party to meet your business goals?

Jabian's approach to strategic sourcing helps business leaders:

- Target and define specific needs that may be provided by a third-party to add value or reduce cost.
- Determine if needs are best served through multiple vendors or a single-sourced partnership.
- Assess impact of sourcing opportunities and gain stakeholder approval for the strategic sourcing plan.

How do you know you have selected the right vendor?

Jabian's approach to vendor selection helps apply the appropriate level of due diligence by:

- Determining the appropriate amount of due diligence based upon scope, budget, business impact, and market conditions.
- Identifying vendors in the marketplace that have competencies to fulfill the defined needs.
- Establishing and quantifying the criteria that each vendor or product should exhibit for a successful sourcing relationship.
- Communicating needs to a select pool of vendors and gathering data to score them against the criteria.

About Jabian

Jabian Consulting is a strategic management and technology consulting firm with an integrated approach to creating and implementing strategies, enhancing business processes, developing human capital, and better aligning technology—ultimately helping clients become more competitive and profitable. Jabian blends functional expertise, industry knowledge, and senior experience to think strategically and act practically. It's a Strategy that Works®.

For more information, visit www.jabian.com.

