

# Choosing an Enterprise Procurement System When You Can't Have It All

Michael K. Broderick, C.P.M.

2007 NORTHEAST SUPPLY CHAIN  
CONFERENCE & EDUCATIONAL EXHIBITION

# Genesis for Action

- Scope/Scale Changes in Organization
- Technology Opportunities and Limits
- Obsolescence of Custom Interfaces
- Cost Control Initiatives
- Demand Management Initiatives
- SOX Compliance and/or Audit Letters

# PROCESS ELEMENTS

- Initial scoping, input from:
  - All current users
  - All potential users
  - Parallel system users
  - Strategic suppliers
  - Process customers

# THE NEW WORLD VISION

- Integrated functional layers
- Common requests & reports
- Cross-functional competency
- “Auto” supplier scorecard
- Negotiating leverage
- Demand-supply balance

# COUNTING WHAT COUNTS

- What are actual costs
  - Head count
  - Infrastructure
  - SLA, support other licensing
  - Systems support - B.U/D.R.
  - Network capabilities/demands
- Evaluate controllable saving

# FORMALIZE THE PROCESS

- Enlist executive sponsorship
- Commission team
- Confirm state of practice in segment, develop risk profile
- Validate info, engage SME

# DEVELOP DETAILED RFP

- Describe process, purpose, timeline
- Include all touch points
  - Inputs
  - Outputs
  - Reports
  - Format details
- **SYSTEM VARIABLES: C/S, HOSTED, CONNECTIVITY, SECURITY, ACCESS**

# WEIGHT FUNCTION VALUE

- IS THIS FUNCTION
  - REQUIRED? 10 POINTS
  - DESIRED? 6 POINTS
  - OPTIONAL 2 POINTS
- Since conditional availability of functionality may be an issue, elicit those conditions!

# NARROW CANDIDATE FIELD

- Financial targets
  - Current costs
  - Expected investments
  - Expected savings
  - Internal hurdles
  - Competition for cash

# REFINE RFP

- Eliminate functions only offered by the unaffordable
- Focus on leveraging current providers who have integrated with strategic suppliers
- I.D. Least cost order paths address X's
- Verify required integration expertise is in the chain
- Ok to include “test” questions
- In background start working on test scripts.

# DISTRIBUTE RFP TO SURVIVORS

- Use one format
- Your spreadsheet
  - Include roll-up sheet
- Lock formats
- Allow cell comments
- Limit response times
- **OBTAIN NDA'S BEFORE RELEASE**

# REVIEW AND RATE RESPONSES

- Criteria considerations:
- Highest number of critical needs met
- Highest total score
- Cost per unit value
- Critical or intolerable characteristics.
- Order field, reduce to 3 candidates.
- Advise and thank other candidates.

# Final Phases

- Review RFP to improve issues revealed in discovery
- Team finalizes test script for demos
- Provide test data to supplier as needed
- Schedule custom demos by supplier core team and key stakeholders

# Finalize Test Scripts for Demo

- Be diligent in capturing your current process sequences in all functional areas.
- Make sure normally encountered changes corrections, edits and adjustments are available and auditable.
- Consider changes in your business model or practice that are likely to occur.
- Use this process to help develop the test document for integrations, if required.
- Include highest volume users in test.

# Prepare Demo Scorecard

- Based on test script, reflecting your process sequences, not suppliers'
- Make sure each participant understands each function to be tested or is recused from that step.
- Distribute to candidates on schedule.
- Prove to suppliers your appreciation that custom demos are burdensome by preparing!

# CONDUCT CUSTOM DEMOS

- Make sure suppliers understand script.
- Make sure participants understand script and scorecard.
- Make sure scorecards are updated and saved at conclusion of each function.
- Adhere to script. If problem, adhere to script.
- If you are not sure, ask to see it again, change a variable.
- Stack the deck with real world examples.
- Count therbligs old vs. new.

# ANALYZE and ORDER

- Evaluate ratings and rankings of each attribute and variable considered.
- Articulate concerns and benefits of the non-parametric variables encountered.
- Prepare a financial analysis and ROI.
- Prepare a tactical technical analysis.
- Obtain executive commitment.
- Initiate final negotiations.

# NEGOTIATE and COMMIT

- At this point all parties have made a huge commitment to the process.
- Negotiate for features and benefits that don't drive supplier cost up.
- Limit customization to reduce future costs.
- Wait a while after final offers have been received.  
Accept final offers.
- Decide irrevocably.

# Process Review

- Consider all reasonable options,
- Involve all stakeholders and SME's.
- Measure and publicize starting points.
- Set objectives.
- Control and evaluate the presentations.
- Involve strategic suppliers
- Test assumptions and assertions

# Process Review - 2

- Verify that all “X”s are being addressed
- Confirm that functional associates concur with evaluations.
- Develop test scripts for custom programming/integrations.
- Obtain Executive Commitment.
- Negotiate, Negotiate and Commit.