Moving From Tactical to Strategic

People.Process.Data

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**Tactical** sourcing/Spot buying
- Fulfil a stated need, eg. from a free-text purchase requisition
- Switch suppliers to counter market forces
- Price and delivery schedule as main selection criteria
- Purchase Order with terms and conditions of supply

**Strategic** sourcing
- Anticipate demand based on spend analysis
- Analyse market trends and take precautions for the supplies
- Identify cost effective solutions, usually based on the TCO concept
- Frame contracts with sufficient legal and commercial protection
Excuses

• Risk adverse
• Afraid of failure
• Close to retirement (coasting)
• Staff doesn’t have the right skill set
• Lack of management support
Why transition?

• Allocation of scarce resources
• You don’t have time to process the work quickly enough to satisfy your customers
• Market knowledge
• Risk management
• Supplier selection
Over Arching GOAL

Increase efficiencies so that you and your staff aren’t wasting time spent on tasks that could be streamlined or automated, to make time for market research and other sourcing related activities.
Step 1  Educate & prepare

THINK – The Harm Is Not Knowing!!!

• Determine how your procurement office is currently adding or creating value
• Change management
• Strategic procurement
Step 2  Build relationships

• Communicate your vision
• Internal
  – Staff
  – Users
  – Management
• External
  – Other procurement professionals
  – Suppliers
Step 3: Develop an action plan

• Translate business goals into procurement objectives.
• Develop strategic initiatives to meet these objectives & identify metrics to measure progress.
• Decide what resources are needed to put your plan into action.
• Consider the risks that could shake your plan.
• Map procurement strategy to entity’s goals.
Step 4  Data collection

- Current state
- Future state
- Tracking over time
Step 5  Category planning

STRATEGIC SOURCING
Strategic Sourcing Process Flow

1. Research & Analysis
   - Conduct Market Research
   - Expand Benchmarking
   - Assess Current State
   - Contact Other States
   - Determine Preliminary Strategy

2. Stakeholder Discussions
   - Identify Key Stakeholders
   - Identify Roadblocks
   - Validate Research & Analysis
   - Identify Potential Process Improvements
   - Finalize Strategy

3. Procurement Event
   - Track Actual Savings
   - Monitor Customer Satisfaction
   - Market Contract
   - Survey Customer
   - Conduct Price Audits
   - Lessons Learned & Best Practices

4. Performance Management
   - Draft And Issue RFP
   - Establish Evaluation Committee
   - Evaluate Responses
   - Conduct Vendor Negotiations
   - Award Contracts
Step 6  Performance Measures (KPI)

- Measures that matter
- Customer centric approach
Structured Problem Solving

- See It – Map it
- Say It – Diagnose it
- Solve It – Standardize it

*Embracing Innovation in Public Procurement: A Case Study of How the City of Miami Department of Procurement Innovates* (Annie Perez, CPPO)