

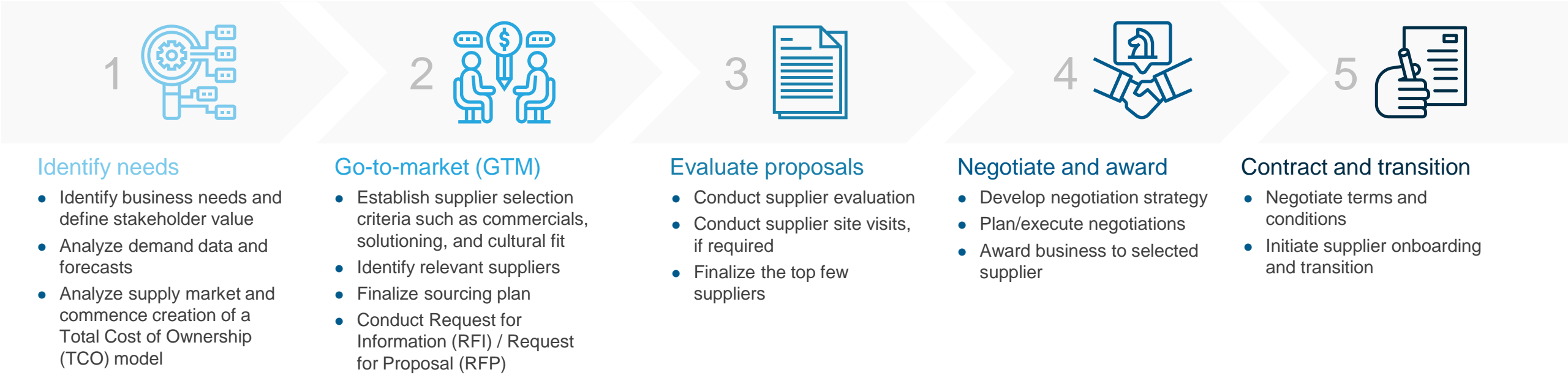
# Modern Sourcing: a Transition to Efficient and Agile Procurement Models

October 2022

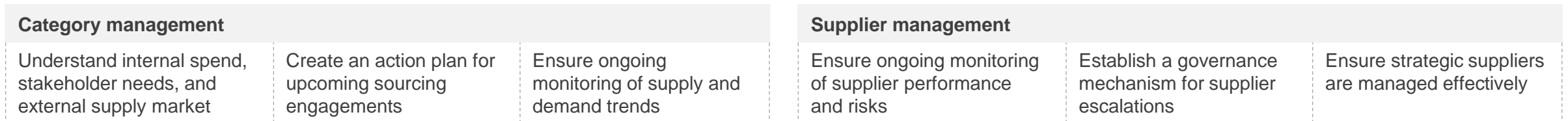


# Traditionally, strategic sourcing is an n-step process that starts from need identification and goes to implementation

## Steps in a strategic sourcing process

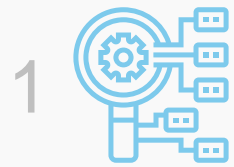


## Overarching processes



# Best practices in sourcing engagements for a more efficient and modern sourcing process

## Best practices to follow in a modern strategic sourcing process



### Identify needs

**Ensure the suppliers' early and in-depth involvement in the need identification phase**

- Initiate supplier discussions earlier and more frequently
- Conduct supplier workshops defining your objectives and outcomes
- Create possible standard business scenarios that define needs with suppliers



### Go-to-market (GTM)

**Ensure upcoming sourcing activities are initiated in parallel with GTM**

- Share master contract templates as part of the RFP documents
- Share a standard list of obligations in the pre-contract phase
- Share all the details, accessorial charges, and potential changes during the RFP process



### Evaluate proposals

**Build relationships and focus on value-creation activities with suppliers**

- For incumbent service providers, put more focus on value creation, partnerships, and co-innovation than contractual terms
- For new service providers move beyond commercials and focus on engagement, relationship building, and initiating pilot projects



### Negotiate and award

**Standardize the negotiation and evaluation process through tools/templates**

- Use standard scorecards for evaluation
- Employ tactics such as:
  - Gainsharing model
  - Pre-defined discounts
  - Volume consolidation or bundled deals
- Run an initial round of negotiations and contract drafting in parallel with the sourcing process



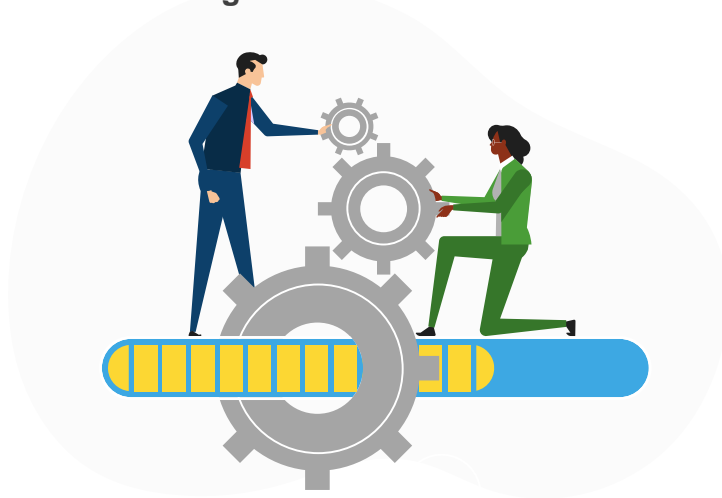
### Contract and transition

**Ensure contract interaction occurs through the sourcing lifecycle**

Ensure constant interaction occurs across the sourcing lifecycle between the buying organization and the supplier to collectively and incrementally develop the contract

## Key benefits of modern sourcing engagements include faster cycle times, flexibility, and collaboration

### Modern sourcing benefits



#### Flexibility and continuous improvement

Welcome changing requirements, even late in the process, such as if suppliers change mid-project, the new supplier can immediately start developing requirements for the next sprint, avoiding a long, costly transition.



#### Faster cycle times

- Satisfy the customer through early and continuous delivery of value
- Deliver frequently, with a preference for shorter timescales
- Deliver value in shorter sprints, i.e., suppliers should provide outcomes at the end of each sprint, not on fixed deliverables and documentation



#### Team building and collaboration

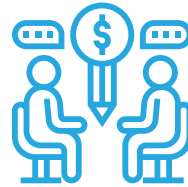
- Business and sourcing work together throughout the project
- Build projects around motivated individuals and trust them
- Hold face-to-face conversations
- Build self-organizing teams
- Regularly reflect on how to become more effective

# Modern sourcing teams distinguish and reassign process-oriented and non-core sourcing activities to non-core resources, leaving more time to focus on core activities and optimizing resource allocation

Sourcing activity type Non-core Core



## Category strategy activities



## Sourcing-related activities



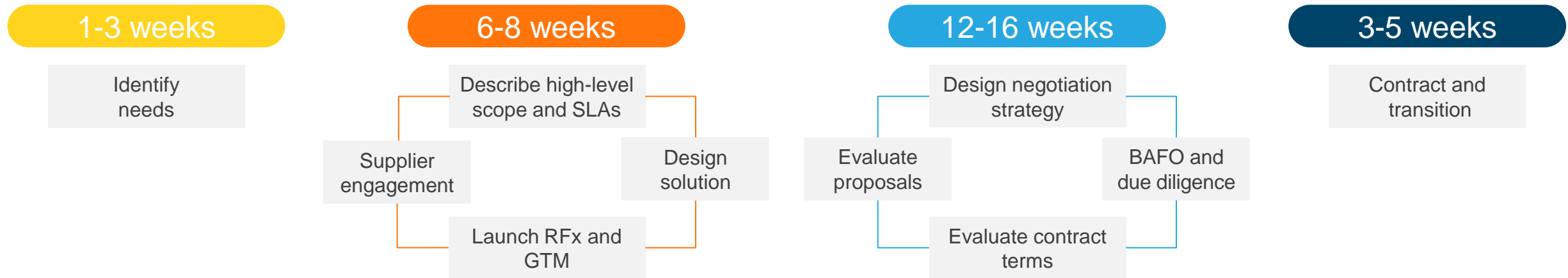
## Transactional activities

Category strategy development	Core	Negotiation	Core	Spend data management	Non-core
Sourcing innovation	Core	RFP package creation	Core	Due diligence	Non-core
Supplier management	Core	Supplier evaluation	Core	Contract management	Non-core
Spend analytics	Non-core	Data analysis	Non-core	Accounts payable	Non-core
Market intelligence gathering	Non-core	Vendor communication and follow ups	Non-core		
Performance management and reporting	Non-core	Contract drafting	Non-core		
		Spot buys	Non-core		



## Agile teams examine processes that can be combined and run in parallel with each other, versus in a linear fashion

### Conceptual example of an agile sourcing approach



### Key features of an agile sourcing approach

- Constant communication and collaboration during the supplier selection process
- Constant interaction across the transaction lifecycle between buyers and suppliers, who, together, incrementally establish the content of the contract, adapting as needs or markets change
- Ensures business requirements are well understood at the point of the RFP release and, as a result, the traditional longer timeline can be reduced, with a higher probability of successfully meeting the set timelines

Source: [Compact](#); Procurify, Everest Group (2022)

# Firms should understand the current state of sourcing processes before undertaking the transition to agile procurement

## People

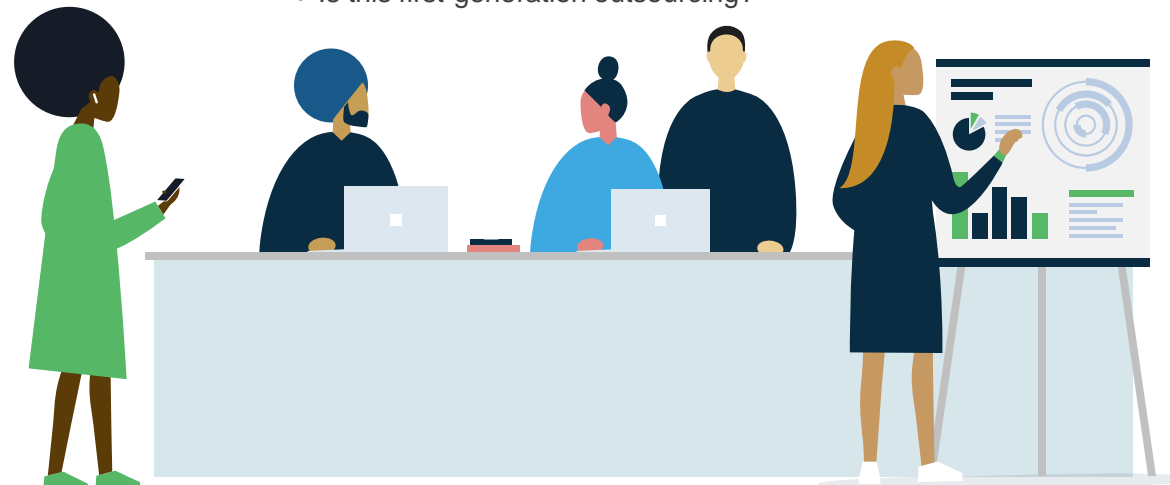
- Do you have resources with diverse sourcing skills in the same team, such as paralegal experts, negotiation experts, and business analysts?
- Have you conducted skill mapping across resources?
- Is your team empowered to drive projects independently?
- Do you train/upskill your sourcing talent?
- Do you augment your core team with back-end resources or contingent workforce when the need arises?
- Is a transfer of staff applicable (there are often fixed timelines associated with works councils)?

## Process

- Do you follow one standard approval process across sourcing engagements within strategic and tactical sourcing?
- Is the sourcing process flexible enough to run subprocesses parallelly, such as initiating negotiation during the sourcing or evaluation stage)?
- Are core and non-core sourcing activities identified for sourcing work allocation, wherein negotiations are a core sourcing activity while budget tracking is a non-core activity?
- How would you characterize your organization's decision-making processes?
- Is this first-generation outsourcing?

## Technology

- Do you leverage technology to drive sourcing activities (including ERP, best-of-breed solutions, or an S2P suite)?
- Can you track resource bandwidth using tools/dashboards?
- What level of spend visibility do you have at a line-item level?
- Is there a single source of truth across the sourcing value chain?



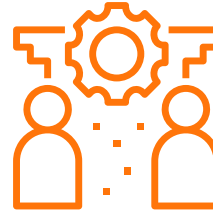
A current-state assessment can help you understand your potential to reduce cycle times across activities and consequently determine the ease of moving to agile procurement

## Case example: Barclays implemented agile sourcing practices by transforming team structures to create work pods



### Objectives

- Improve overall sourcing efficiency through better engagement and cross-functional collaboration
- Optimize time-to-value through an improved sourcing process



### Approach

- Established 18 sourcing pods (from about 150 resources), made up of a mix of seniorities and procurement expertise with diverse skills
- Each pod consisted of four to five specialist resources working collaboratively to deliver the full lifecycle sourcing activities
  - Each pod aligned to a category but remained flexible to take on other category sourcing to balance workloads, when required
  - The pods could work on several projects collectively, with specialists owning different parts of the process

### Key benefits through the established agile sourcing model



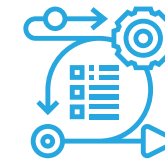
Reduced sourcing cycle time



Higher sourcing throughput



Improved cross functional collaboration



Better project control and flexibility





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