



THE FESTIVAL OF



Modern Sourcing

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#GSACFestivalofSourcing2023



Modern Sourcing

June 2023


Everest Group at a glance




Founded in **1991**



Research analysts around the world with offices in North America, Europe, and India



Trusted partner to the world's largest companies, Everest Group focuses on technology, business processes, and engineering through the lenses of talent, sustainability, and sourcing



90% renewal rate

We provide our clients with business-critical insights and guidance based on specialized, focused data sets

- 800+** service providers
- 7,000+** Global Business Services (GBS) centers
- 350+** service delivery locations
- 36,000+** outsourcing contracts
- 140+** spend categories

We provide our clients with guided expertise driven by our high-engagement culture

- 5,350+** research engagements in the past 5 years, serving the Global 2000
- 300+** analysts

We help clients become experts in their organizations, make confident decisions, and accelerate success outcomes

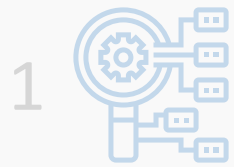
- Our clients are global and diverse
- 58%** Americas
- 8** of the 12 largest companies
- 29%** Asia
- 10** of the 12 largest tech companies
- 7** of the 10 largest financial services firms and healthcare companies
- 13%** Europe

“Your ability to synthesize input from a variety of sources is really quite extraordinary.

– CIO, leading global mining company

Strategic Sourcing - we have always done it this way!

Traditional steps in a strategic sourcing process



1

Identify needs

- Identify business needs and define stakeholder value
- Analyze demand data and forecasts
- Analyze supply market and commence creation of a Total Cost of Ownership (TCO) model



2

Go-to-market (GTM)

- Establish supplier selection criteria such as commercials, solutioning, and cultural fit
- Identify relevant suppliers
- Finalize sourcing plan
- Conduct Request for Information (RFI) / Request for Proposal (RFP)



3

Evaluate proposals

- Conduct supplier evaluation
- Conduct supplier site visits, if required
- Finalize the top few suppliers



4

Negotiate and award

- Develop negotiation strategy
- Plan/execute negotiations
- Award business to selected supplier



5

Contract and transition

- Negotiate terms and conditions
- Initiate supplier onboarding and transition

Overarching processes

Category management

Understand internal spend, stakeholder needs, and external supply market

Create an action plan for upcoming sourcing engagements

Ensure ongoing monitoring of supply and demand trends

Supplier management

Ensure ongoing monitoring of supplier performance and risks

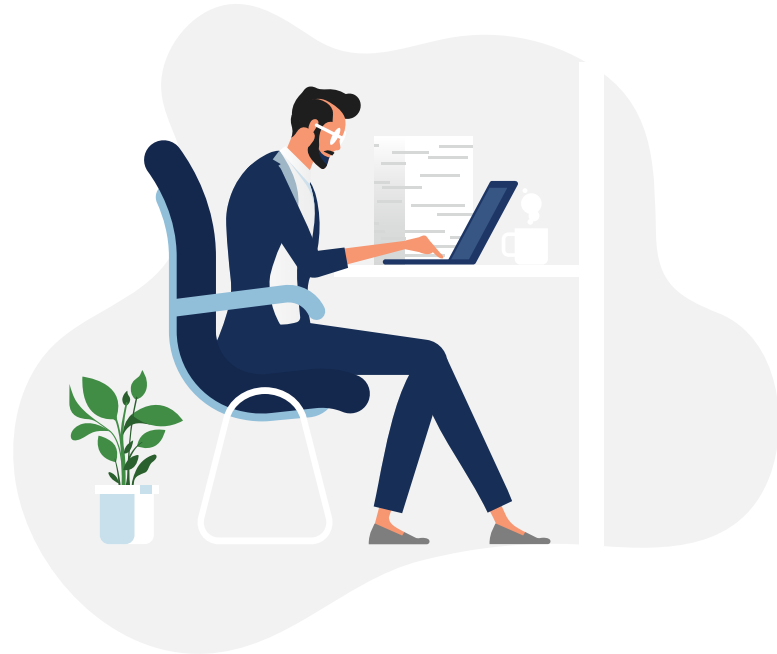
Establish a governance mechanism for supplier escalations

Ensure strategic suppliers are managed effectively

So why change?

NON-EXHAUSTIVE

Traditional procurement operating model



- Long cycle times
- Hierarchical siloed structure inhibiting collaboration
- Suboptimal outcomes from digital enablement
- Activities focused



- Resilience and responsiveness
- Flexibility and adaptability
- New ways of working
- Need for faster speed to market

Modern procurement operating model



- Optimized cycle times
- Enables continuous improvement
- Integrated operations and enhanced collaboration
- Outcome focused

Modern Sourcing – a way of bringing continuous collaboration and improvement via people, process and technology

Approach



Boost efficiency

Agile methodology transforms the traditional sourcing process from a time-consuming one into a faster and more effective one



Holistic decision making

Involves cross-functional teams, and close collaboration with suppliers leading to informed and balanced decisions



Accelerate sourcing

It is based on iterative and data-driven approach leading to shorter sourcing cycles

Why to adopt it?



Competitive advantage

Provides adaptability which is imperative to respond quickly to the ever-changing market and stakeholder needs



Enhances supply chain resilience

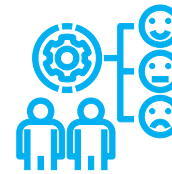
It promotes close collaboration with suppliers that facilitates risk management helping organizations build robust supply chains



Provides cost optimization

Agile enables an iterative approach to supplier selection, and contract management which helps in optimizing the costs

How to implement it?



Supplier collaboration

Make suppliers a part of the sourcing process from an early stage. Leverage their expertise to drive innovation



Monitoring and evaluation

Drive continuous improvement by frequent performance monitoring. Address issues on time and implement corrective actions

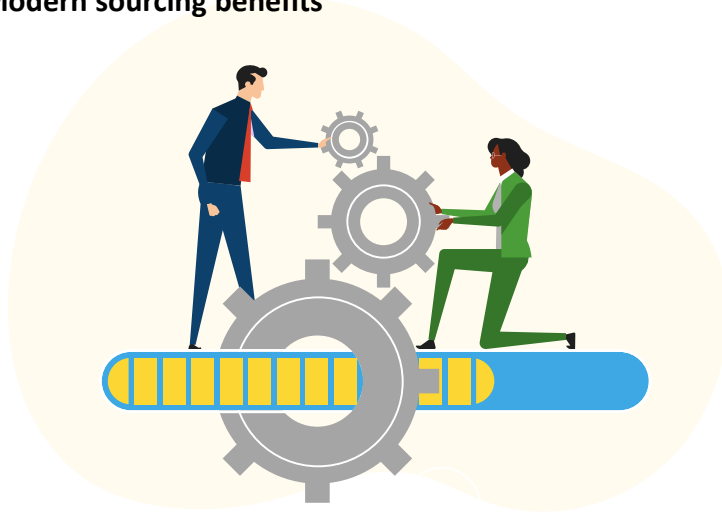


Leverage data and analytics

Decision making backed by data and analytics can provide real-time visibility into cost structures and market trends

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

Strategic sourcing processes have a cycle time of about 8-12 weeks in best-in-class firms, companies that drive superior outcomes through their services sourcing capabilities



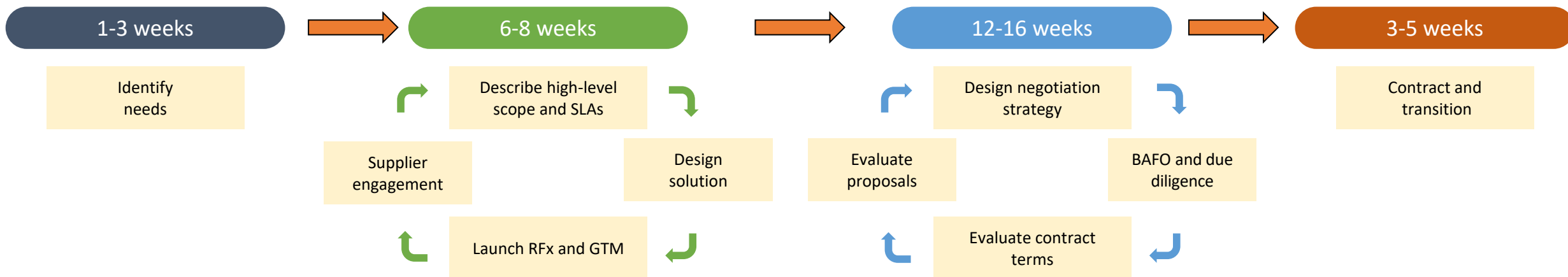
Timeline of a strategic sourcing initiative (sourcing cycle time is measured from purchasing need identification to contract signature) is

8-12 weeks

in best-in-class enterprises

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 (average cycle time = 22-32 weeks)



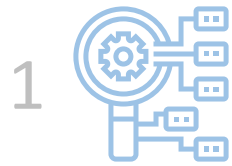
The best-case scenario for traditional approach to supplier selection and contracting takes 27-40 weeks. Whereas the agile approach does that in 22-32 weeks

The agile approach 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

The constant interaction across the transaction lifecycle between buyers and suppliers is enabled, who, together, incrementally establish the content of the contract, adapting as needs or markets change

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

Best practices to follow in a modern strategic sourcing process



1 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



2 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



3 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



4 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



5 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

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



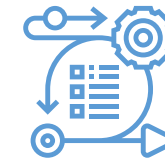
Reduced sourcing cycle time



Higher sourcing throughput



Improved cross functional collaboration



Better project control and flexibility

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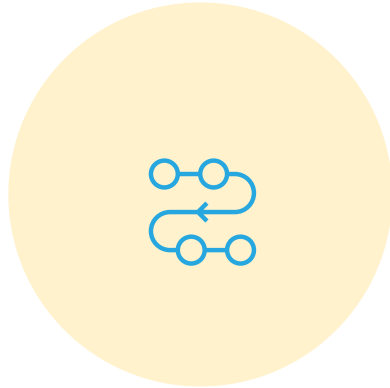


Apart from the long-established agile methodologies like scrum and kanban, function-specific methodologies such as lean-agile procurement can also be considered for modern sourcing



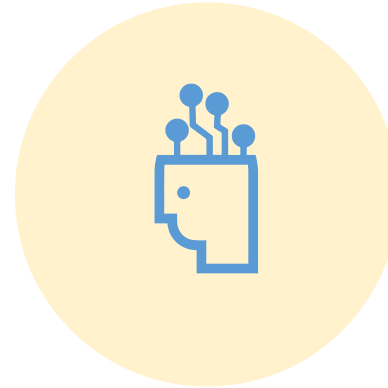
Scrum

Scrum promotes self-managing teams and iterative development of the sourcing initiatives. Each scrum phase ensures that sourcing activities are constantly improving



Kanban

A transparent system to help keep all the stakeholders updated with the sourcing workflow. Elements like kanban board, kanban cards and work in progress limits are used to achieve this



Design thinking

The approach of user-centric thinking and iterative process helps in improving the pace of sourcing activities at the same time ensuring that the needs of the user are met

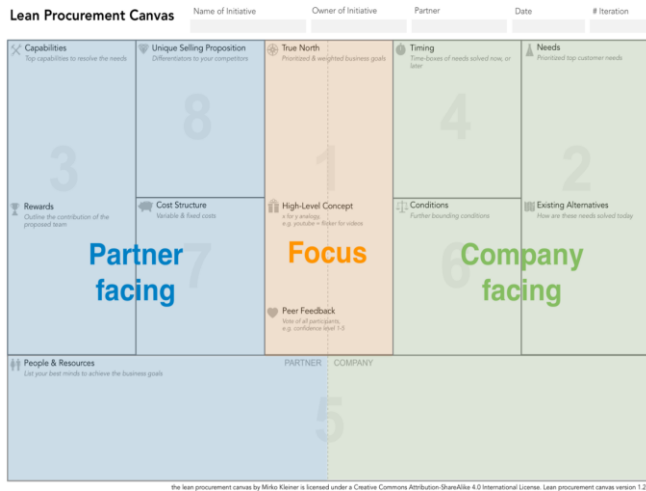


Lean-agile procurement

With the help of lean procurement canvas, we can accelerate the time to market as the canvas itself is an agile contract

Lean-agile procurement can be another means to improving the efficiency of the supplier selection process

Major facets of the lean-agile procurement method



Steps involved:

1. Initialization – set-up cross functional team and clarify partnership needs
2. Preparation – defining high-level needs with stakeholders for executing lean evaluation
3. Big room evaluation day – use of agile approach to co-create the lean procurement canvas with the help of the potential partners
4. Peer-feedback – take into consideration the feedback of peers to decide with whom to continue
5. Start agile delivery



Lean procurement canvas: This canvas addresses four important risks viz. partner risk, condition risk, people risk, and future risk.

Benefits of Lean-Agile Procurement

- Faster time to market
- Radical decrease of risk
- Improved business outcomes
- Increased sourcing efficiency