

# HOW TO SELECT INNOVATIVE SUPPLIER PARTNERS USING A 5-STEP PROJECT MANAGEMENT APPROACH

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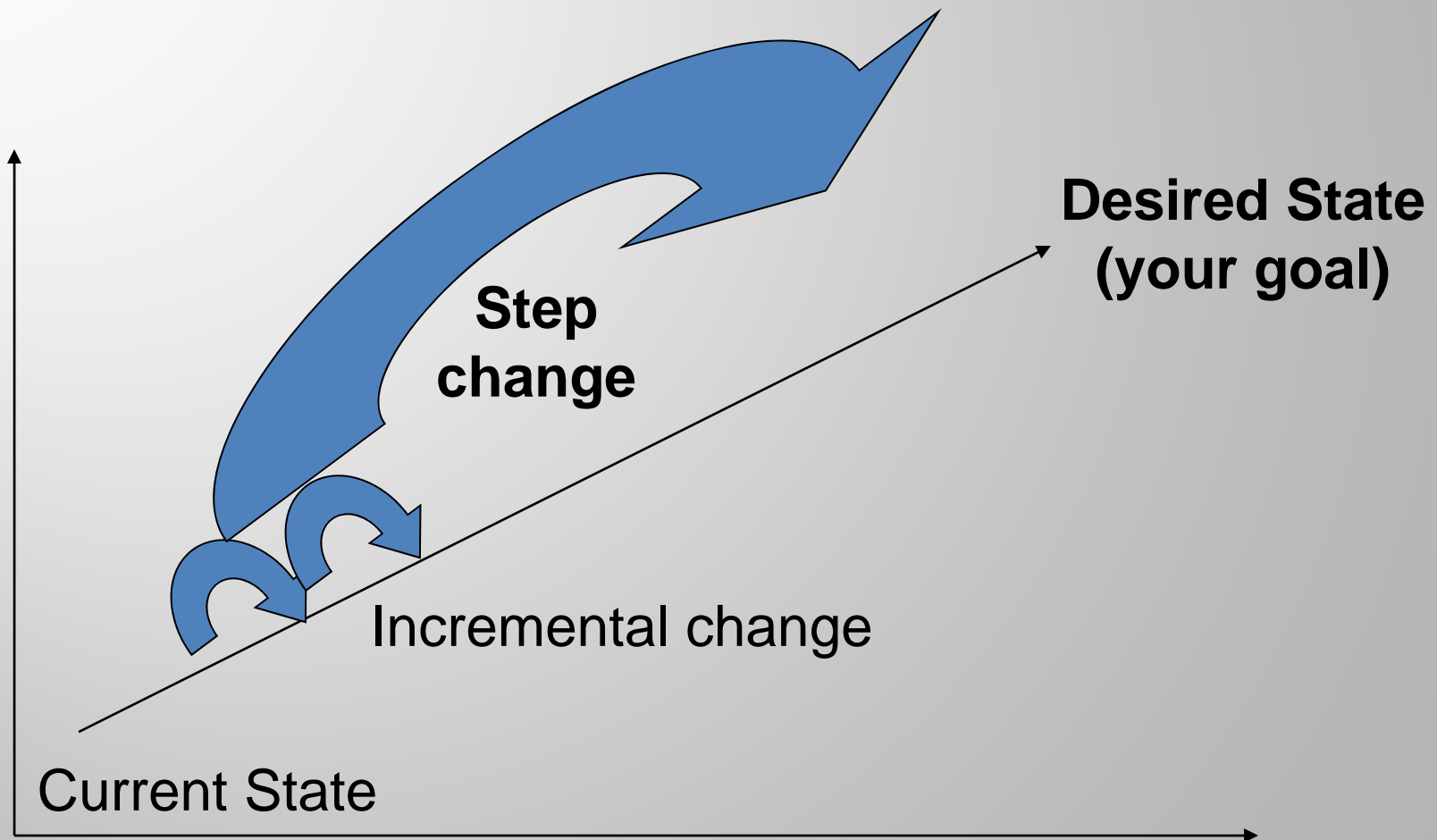
# Contents

- ▣ **Introduction**
  - The need for innovative suppliers
  - The need for a project management approach
- ▣ **The 5-Step Project Management Approach to Selecting Innovative Suppliers, including:**
  - Tools for identifying forward-thinking supplier partners
  - An approach for capturing the requirements of a diverse group of stakeholders
  - Tools for evaluating potential partners
- ▣ **Summary, Q&A**

# Introduction

- ▣ **The need for innovative suppliers**
  - Need to reduce cost and advance innovation
  - Need strategic partnerships with innovative suppliers who can accelerate desired improvements
    - ▣ Step change improvements versus incremental change

# Innovative Suppliers Dramatically Influence Progress Toward Strategic Goals



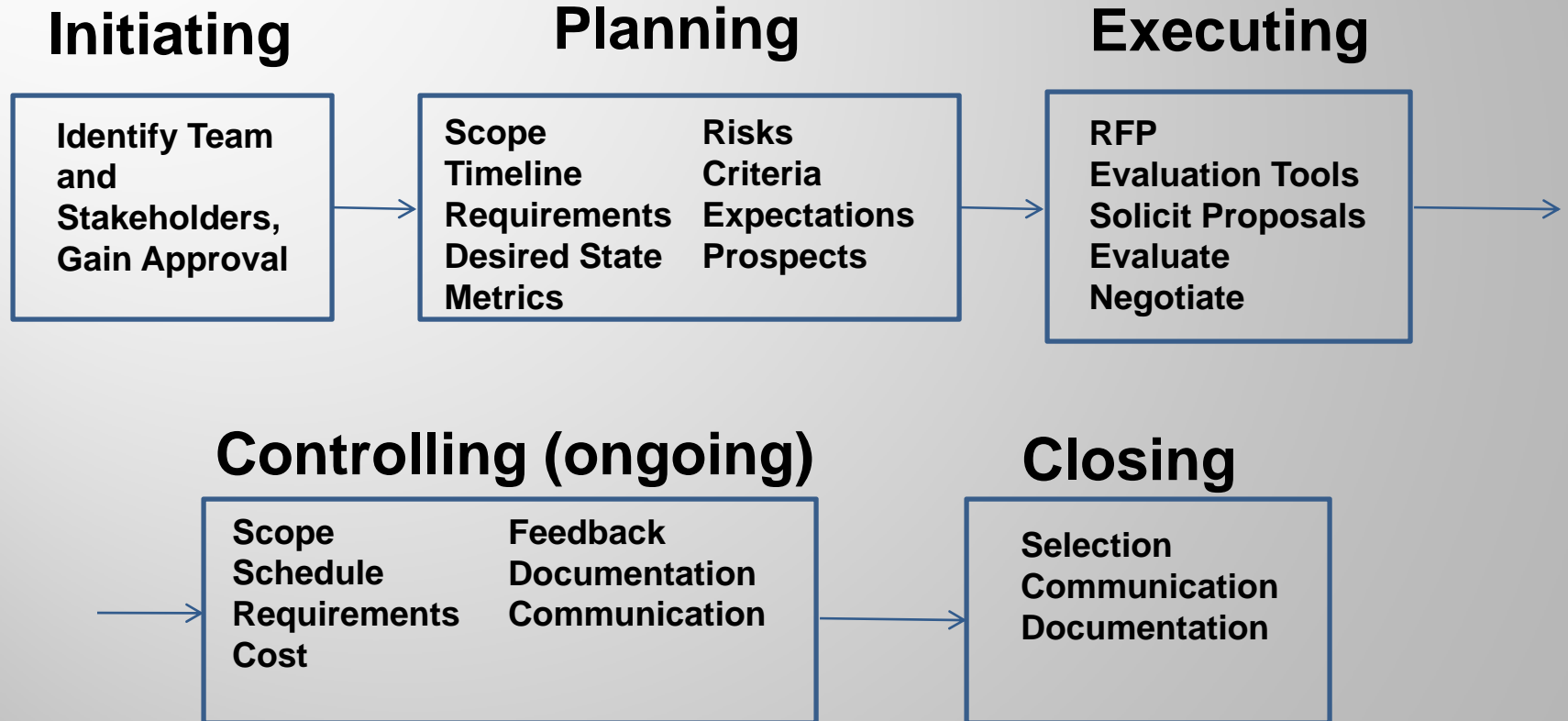
# Introduction

- ▣ **The need for innovative suppliers**
  - Strategic partners are truly innovative
  - They provide systems needed to compete on quality and customer satisfaction
  - They have industry-leading capabilities and can achieve greater efficiencies
    - ▣ Technology is a key driver
    - ▣ Partners typically have a progressive business model

# Introduction

- ▣ **The need for a project management approach**
  - Business activities span functional and organizational lines
    - ▣ Multiple user groups with different goals
  - Scarce resources
  - Minimal documentation of business requirements in many cases
  - Pressure to find a supplier = choices driven by status quo, not future state

# Use PMI® Process Groups as a Framework for Structuring the Selection Process



# Initiating

# Initiating

- ▣ **Identify core team, sponsor, and champion**
  - Sponsor is executive-level stakeholder
  - Champion is mid-level manager with authority over resources
  - Core team is a subset of those affected by change
    - ▣ Can commit time to selection process
    - ▣ Can ensure buy-in, influence others
    - ▣ Includes key subject matter experts like IT

# Initiating

- ▣ **Identify and engage stakeholders**
  - Review contracts with existing supplier
  - Identify all business units that use the contracts
  - Rank by volume of business under contract
  - Define high, medium, and low volume levels
    - ▣ Group business units accordingly
  - Identify communication protocol and determine level of engagement for each

# Initiating

- ▣ **Identify and engage stakeholders**
  - Engage business units using the protocol
    - ▣ Adjust approach as needed for unique situations
  - Conduct kick-off meeting with stakeholders
    - ▣ Find out how they want things to look in the future
  - Communicate regularly with all groups
    - ▣ Essential to successful sourcing activity
    - ▣ “Pay me now or pay me later”
- ▣ **Get buy-in**

# Planning

# Planning

## ▣ **Define scope**

- Business units, customers, other affected groups
- Phased approach might be more cost-effective, easier to get buy-in

## ▣ **Define timeline**

- Start with contract expiration and work backwards
- Identify major milestones affected by new contract
- Define selection activities and timing of resources
- Include areas of schedule risk, such as sourcing approvals, availability of technology, system changes

# Planning

- ▣ **Communicate scope and timeline to stakeholders**
  - Create opportunities to get feedback
  - Use engagement protocols to your advantage
- ▣ **Incorporate stakeholder feedback as appropriate and finalize**
  - People will be concerned about change
  - Regroup or reboot if necessary to get them onboard
  - Create revised scope and/or timeline as needed

# Planning

- ▣ **Define business goals, requirements**
  - Brainstorm desired state/goals
  - Review company's vision/strategic plan documents
  - Review existing contracts, metrics
  - Ask stakeholders, functional groups
  - Ask customers, partners, other suppliers
  - Research the industry to identify standards, trends
  - Compare current supplier's performance and capabilities to industry trends
- ▣ **Define cost parameters**
  - Efficiencies, annual reductions, targets

# Planning

- ▣ **Use requirements to create templates for identifying potential bidders**
  - Define characteristics of ideal supplier partner including capabilities, vision, expertise, technology
  - Define/weight appropriately, rank using template
- ▣ **Invite prospects to give a presentation**
  - Use templates to create interview questions (see sample)
- ▣ **Rate and rank presenters to create bid list**

# Sample Interview Template

<p>0 - Did not address this question at all                      1 – Responded, but response to this question was inadequate                       2 – Response to this question was average, no better, no worse                      3 – Above average response to this question, made me feel somewhat confident about this supplier                      4 - Very good response to this question; made me feel very confident about this supplier                      5 - Excellent response to this question; made me feel extremely confident about this supplier</p>	<p>How well did the presenters answer this question?</p>	<p>Did the response demonstrate that the presenters can support our current and future business needs?</p>	<p>Was the response relevant and applicable to us and this project?</p>	<p>What level of expertise, vision, and innovation are demonstrated by the presenters' ideas, solutions, concepts as they relate to this question?</p>	<p>Can this supplier help us achieve our current and future goals, based on this answer?</p>	<p>How would you rank this supplier right now, given the response to this question?</p>
<p>We are changing the business model for _____. This change is intended to _____. How can your company assist us in accelerating achievement of these goals? How are you better positioned vs. your competitors?</p>						
<p>Discuss one or two examples of contracts that you recently acquired (in the last 12-18 months). Describe what was required to bring the new customer online, how you managed the implementation, and how your new customer graded your performance in the transition.</p>						
<p>Please describe your level of expertise in project management by giving two recent examples of how you managed project difficulties. How did you resolve these? What are you doing to prevent these issues from resurfacing?</p>						
<p>Describe your core business processes as they relate to serving your customers.</p>						
<p></p>						
<p><b>Totals</b></p>						

# Planning

- ▣ **Define risk management strategies**
  - Identify risks
    - ▣ Changes to schedule
    - ▣ Modifications to requirements or business model
    - ▣ Changes in cost targets
    - ▣ Availability of resources
    - ▣ Technology upgrades
    - ▣ Changes in other suppliers
    - ▣ New requirements from customers, government
  - Develop mitigation plans and contingencies

# Planning

## ▣ **Caution**

- Allow adequate time for planning
- Don't underestimate time needed for implementation, especially with multiple stakeholders
- Change is not always welcome
- Long-term supplier relationships hard to break
- Critical to have stakeholders on board
- Communicate benefits of change on a regular basis
- Treat current supplier as you would any prospect

# Executing

# Executing

- ▣ **Construct RFP based on requirements**
  - Goals, objectives
  - Timeline for bid process, implementation
  - Business description, requirements, scope
  - Transition plan requirements
  - Pricing matrix
  - Historical data, Service level requirements
- ▣ **Create response template for bidders to use**
  - Provides a standard format
  - Facilitates evaluation – apples-to-apples
  - Follows structure of RFP

# Executing

- ▣ **Review, finalize, distribute RFP**
- ▣ **Provide additional information and clarifications at bidders' conference**
  - Review program basics, expectations, vision
  - Review RFP, contract implementation timeline
  - Solicit feedback concerning requirements or information provided
  - Explain response template, pricing matrix
  - Establish ground rules for communication (e.g. questions to be submitted in writing)
  - Address general questions

# Executing

- ▣ **Create template for evaluating responses**
  - Use RFP response template as framework
- ▣ **Evaluate/rate responses, pricing**
- ▣ **Compile questions to clarify responses**
  - Discuss in person with individual bidders – evaluate quality of responses
- ▣ **Identify top contenders**
- ▣ **Site visits, references**
- ▣ **Select final set of bidders for negotiations**

# Sample RFP Response Evaluation Template

Section	Category	Importance to Business	Rating Scale	Supplier	Supplier	Supplier	Supplier	Supplier
				1	2	3	4	5
		1=Basic 3=Critical to Business 5=Gives Competitive Advtg	0= Response Unclear 1= Basic 3= Advanced 5= Innovative	Rating	Rating	Rating	Rating	Rating
<b>1.0</b>	<b>Ability to Meet Requirements</b>							
<b>1.1</b>	<b>Business and Technology Support</b>							
1.1.1	Sub-category(ies)							
<b>1.2</b>	<b>Web Access</b>							
1.2.1	Sub-category(ies)							
<b>1.3</b>	<b>Inventory Management</b>							
1.3.1	Sub-category(ies)							
<b>1.4</b>	<b>Call Center</b>							
1.4.1	Sub-category(ies)							
<b>1.5</b>	<b>Revenue Collection and Disbursements</b>							
1.5.1	Sub-category(ies)							
<b>1.6</b>	<b>Order Fulfillment</b>							
1.6.1	Sub-category(ies)							
<b>1.7</b>	<b>Warehousing</b>							
1.7.1	Sub-category(ies)							
<b>1.8</b>	<b>Cost Management</b>							
1.8.1	Sub-category(ies)							
<b>1.9</b>	<b>Process Management, Lean, Six Sigma</b>							
1.9.1	Sub-category(ies)							
<b>1.10</b>	<b>Past Performance</b>							
1.10.1	Sub-category(ies)							
<b>1.11</b>	<b>Ability to Implement/Manage Transition</b>							
1.11.1	Sub-category(ies)							
<b>1.12</b>	<b>Invoicing</b>							
1.12.1	Sub-category(ies)							
<b>1.13</b>	<b>Reporting</b>							
1.13.1	Sub-category(ies)							
<b>1.14</b>	<b>Performance Measures</b>							
1.14.1	Sub-category(ies)							
<b>1.15</b>	<b>Interfaces</b>							
1.15.1	Sub-category(ies)							
<b>1.16</b>	<b>Project Management Capability</b>							
1.16.1	Sub-category(ies)							
<b>1.17</b>	<b>Risk Management</b>							
1.17.1	Sub-category(ies)							
<b>1.18</b>	<b>Documentation</b>							
1.18.1	Sub-category(ies)							
<b>1.19</b>	<b>Certifications, Honors</b>							
1.19.1	Sub-category(ies)							
<b>Sum of Weight x Rating across all questions</b>								

# Controlling

# Controlling

- ▣ **Ongoing**
- ▣ **Reevaluate, incorporate new information**
- ▣ **Evaluate potential changes to scope, etc.**
- ▣ **Ensure involvement of key team members**
  - Regular core team meetings
  - Utilize communications protocol
  - Engage leadership when new information surfaces
- ▣ **Utilize risk management plan**
- ▣ **Ensure consistency of documentation**

# Closing

# Closing

- ▣ **Select supplier partner**
- ▣ **Finalize communications on contract award**
- ▣ **Develop transition plan**
- ▣ **Develop contract documents**
  - Statement of Work (SOW)
  - Project Plan
  - Service Level Agreements

# Summary

- ▣ **This 5-step project management approach provides:**
  - Tools for identifying strategic supplier partners
  - An approach for capturing the requirements of a diverse group of stakeholders
  - Tools for evaluating potential partners
- ▣ **This approach will enable you to:**
  - Find innovative partners with world-class capabilities
  - Move toward a sustainable, scalable solution
  - Accelerate achievement of strategic goals
  - Gain a competitive advantage with your customers

# Questions and Answers

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