

Impacting the Sourcing Process Through Collaborative Project Management

James Kiser, V.P. of Operations
ADR North America, LLC
734/930-5070; jim.kiser@adrna.com

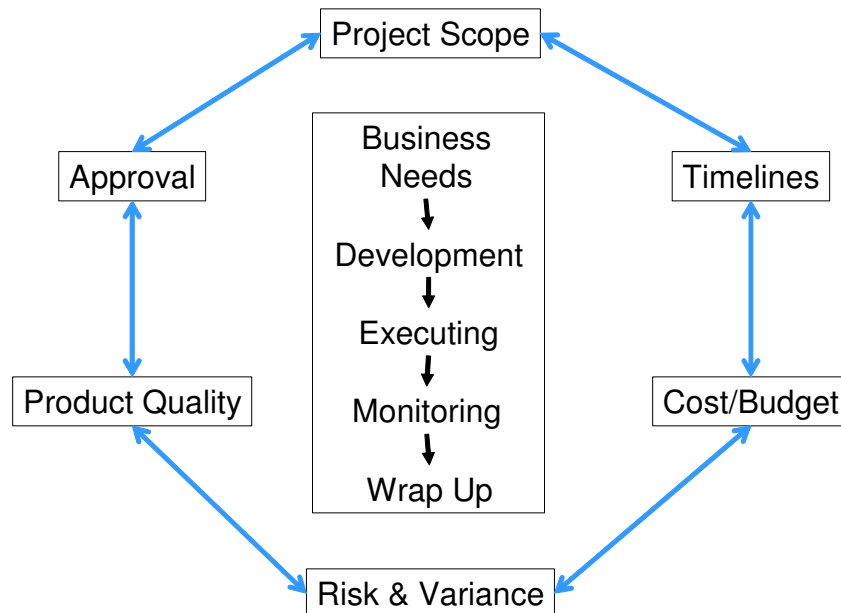
Tony Yakos, Senior Consultant
ADR North America, LLC
734/930-5070; tony.yakos@adrna.com

90th Annual International Supply Management Conference, May 2005

Abstract. Many business projects fail due to poor up-front planning. Effective project management provides the assigned team with a framework to guide the project and help them develop tools to measure the results.

Many supply management professionals underutilize project management planning skills as part of the sourcing process. This paper will provide sourcing managers with an understanding of the planning process and how to effectively use it in their internal teams and projects. By adapting better project planning skills towards sourcing goods and services, today's supply manager can better achieve the goals and objectives set forth by senior purchasing management.

Collaborative Project Overview



Goals of a Collaborative Sourcing Plan. The underlying goal is to provide stakeholders, team leaders and team members an agreed-upon reference point to guide them through a project to successful completion. More importantly, the plan will:

- focus the team only on the stated project
- prioritize tasks
- allocate resources
- establish timelines and milestones
- mitigate risks
- ensure the end product meets expectations
- provide a means to measure success.

It is important to remember that project plans are “living documents” that allow team members to change or update tasks, processes and timelines as new sourcing data is uncovered.

What Goes into Collaborative Sourcing Projects? Several components make up a well-defined project plan:

1. *Senior management direction and support.* Senior managers or project sponsors are responsible for determining the strategic direction, resource allocation, and objectives. They are also the link between the project team and the executive management who are driving the overall company objectives and direction. Sponsors or senior management must challenge the project leaders and team members to develop a plan structure and process that maintains, organizes, controls and implements the project’s overall scope.
2. *Assembling the team.* The project team must be comprised of the right individuals with the appropriate backgrounds and skill sets. The team can include professionals from any number of internal departments or disciplines.
3. *Roles, responsibilities, authority and accountability.* Once assembled, the team should identify a leader who will be accountable for formulating the plan and overseeing any ongoing processes, such as coordinating project tasks and assigning staff. The remaining team members will have their roles, responsibilities, and authority clearly outlined in the plan. This will help guide the individuals through the project and ensure that there are no questions as to what is expected or for what they are accountable.
4. *Team process.* The leader and team members are responsible for determining the working process of the team and clearly outlining it in the plan. The actual work process will be dependent on the stated goal and tasks best suited to attain that goal. However, it is the responsibility of the team leader to manage, direct and control the day-to-day activities, including an individual’s ability, commitment and attitude to execute their assigned tasks.
5. *Business objectives.* The project plan must clearly state the project’s objective and its relevance to the business’s overall objectives. Sponsors are responsible for ensuring that these goals are in alignment.
6. *Project process map.* The leader and the team should outline the steps in the project using a process map which shows the major steps that the team will work through. This map will act as a guide for the team as they drive for the goal and allow the team to ensure that the process is as efficient and effective as possible
7. *Project planning tools.* A number of tools must be made available to project managers to use during the planning process. This includes everything from simple computer spreadsheets to illustrate tasks to complex data collection/data mining instruments for benchmarking a measurable goal. The right tools are critical in determining resource

allocation, timelines, risk assessment and measurement. The use of these tools must tie into the overall project goals.

8. *Communication and reporting methods.* A team can communicate and report to its sponsor in a number of ways—ranging from a daily email to more complex documentation. The key is to have the plan outline what is appropriate for the level of work being accomplished and allow for adjustment if additional (or less) reporting is necessary.
9. *Measurement and tracking.* Finally, a solid project plan will have clearly defined measurement metrics and benchmarks to check progress. What is being measured or tracked should be benchmarked at the outset and parameters identified for the team to assess their progress against stated goals.

Project Management for the Supplier Selection Process. Project management planning is a critical skill that supply professionals need to use in developing a comprehensive strategic commodity supplier program. As part of the cross-functional team's projects, managing the creation of the supplier selection process will be among the most important as it impacts multiple people and processes internally and externally.

When choosing suppliers for short- or long-term cost/value savings, the cross-functional team must first analyze current relationships with incumbent vendors. In order to properly evaluate existing suppliers, each company's commodity data, markets, contracts, and portfolio position should be examined and discussed. When this step is done, you must review the supplier-specific procurement processes that are in place. When this exercise is completed, you can confidently determine whether to seek out alternative suppliers, purchasing methods, or both.

As you proceed through this evaluation, some questions to ask include:

- What other suppliers provide the same materials and service locally or regionally?
- What is the nature of the supplier markets?
- What quantity of materials do we buy and what is the makeup of those materials?
- What is the supplier's cost of materials?
- Is there a contract in place and if so, how long is it? What is the background of the contract with this supplier? How, why and who put the package together? Are we adhering to the contract and is the supplier performing to the stated requirements as well?
- Do we have a supplier measurement program in place with metrics for established baselines and monitoring performance requirements? What is being done with this data?
- Have we incurred price increases and, if so, what is the justification by the supplier?
- What is the supplier doing to manage its supply cost structure?
- Is the current relationship direct and positive or exploitative and caustic?
- What are our plans to start conditioning the supplier differently as a company?

At this point, the issues are openly discussed between team members and the strategy for changing the nature of the relationship with a particular supplier begins to formulate.

The project management process is effective in keeping members focused on the goal of developing the commodity strategy. As an outgrowth, team members will recognize the need

to develop guidelines for the policy and the process for how future working relationships between buyer and supplier will be managed.

Mitigating Project Team Risks Within the Plan. As part of the planning, the issues of risk assessment and mitigation need to be addressed.

From a project team viewpoint, the biggest risk to a project is the loss of a team member. Losing a critical team member to other company needs has to be assessed against that person's involvement in data gathering, contract specifications, internal technical knowledge, and negotiation with sources of supply.

Contingencies need to be identified, quantified, and documented for any issue that could pertain to the plan. Project teams need to factor in the variability for certain risk factors and test those factors, which essentially change the nature and means of reaching a stated planned goal.

Conclusion. The collaborative sourcing process, when implemented correctly, gives the project team up-front senior management support, clear strategic direction and the right tools to manage a project to its desired conclusion. Supply managers who embrace this process will be more successful in directing their key projects and delivering the results that top management demands. Furthermore, developing and maintaining effective project management systems bridges the gap between the end products or services your company offers and what the customer really desires.