Smarter Procurement

If you have procured a long-term IT or other service contract what process did you use? Send out Requests for Proposal, short list three or four venders, have a series of presentations from the sales teams, do some reference site checking and negotiate the deal? What is the typical result - things go really well at first, then slowly the service levels slip and sooner or later you come to realise that the best way for the vendor to make money is to provide less and less! You complain but somehow the vendor tells you that your service requirement have changed or the specification of requirements was not clear or something similar! There must be a better way!

The most critical requirements of excellent procurement is whole-of-life contract value-for-money. How can this best be achieved?

A different and smarter procurement process for large multi-year contracts is to assess the level of collaboration and agility of your vender at the start of the process. This can be done by running half-day interactive workshops with your short listed vendors. You can have a range of your users and managers meet the operational staff from the vendors - not the slick sales staff. In the workshops you can run a series of interactive exercises such as jointly developing a project charter - a one page document to set out the purpose and performance measures of the contract. Other exercises might include a scenario where your business grows more rapidly than planned and the joint team develops a plan and a price to seamlessly increase the service level. An exercise on how to maintain ongoing high service levels for the whole life of the contract is another option.

Iain McCormick and Stewart Forsyth have run a number of such workshops for clients and the overwhelming finding is that the process does enable organisations to better understand vendors and to objectively assess them in terms of agility and value-for-money.

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