
Sourcing Management: Prepare for Excellence



A CHERUB White Paper by Mark Probyn and John Liburti

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PREFACE

This paper is the second in a series of three CHERUB white papers on the subject of Sourcing Management.

The first in the series, titled *Sourcing Management: What's the Problem?* was published in June 2008 and is available at cherubconsulting.com.au.

The final paper *Sourcing Management: Beyond Outsourcing* is due to be published in August 2008.

The series presents insights into CHERUB thinking on the subject matter and précis our approach to helping our clients establish the mechanisms and disciplines necessary for effective management of sourced services.

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Introduction

In the first paper of this tri-part series “Sourcing Management: What’s the Problem?” we identified that despite a lift in satisfaction with the results from outsourcing in recent years there remains considerable room for further improvement.

From our observations and experience we believe a significant and ongoing problem with realising further gains to be a poor understanding of the sourcing management function. This is compounded by inadequate planning, preparation and execution, even in situations where the scope of holistic sourcing management is understood.

Five capabilities

We presented our view that the sourcing management function is comprised of five primary capabilities:

- Relationship Management;
- Service Performance Management;
- Service Financial Management;
- Contract Administration & Management;
- and
- Championing Service Innovation.

Effective sourcing management interacts with and influences both the service recipient and the service provider.

Four stakeholder groups

We also identified the four stakeholder groups; two on the service recipient side and

two on the provider side, which practitioners of sourcing management need to work with:

- Enterprise senior management – the persons sponsoring and responsible for the sourcing strategy;
- End user community – the persons within the enterprise who actually use the contracted services on a day-to-day basis;
- Senior management of the service provider – the persons responsible for profitability of the deal at the service provider enterprise;
- and
- Service delivery and support agents of the provider – the persons responsible for the day-to-day operational supply of the contracted services.

In this paper we explain where in the sourcing life cycle the sourcing management capability

needs to be established, and offer our insights into how to prepare to excel.

Next, we explore the factors which motivate and drive members of each of the four stakeholder groups. We identify some of the key levers available to practitioners to influence and manage the often conflicting aims and objectives of the four groups. In particular, we look at the provider-side stakeholder groups and what drives and influences their behaviour.

Lastly, we identify critical success factors to consider in order to achieve excellence in the form of the desired outcomes and objectives from sourcing arrangements.

Figure 1 Five capabilities of sourcing management



Prepare for capability excellence

The key to achieving excellent results from outsourcing deals is excellence in the discipline of sourcing management.

To achieve excellence enterprises must build suitable proficiency in the required competencies and skills. They must do so for each of the five capabilities that comprise the sourcing management function (see Figure 1).

When should this start?

Figure 2 depicts the five major stages of the sourcing life cycle.

Figure 2 Sourcing life cycle model



One mistake we commonly see is managers - including C-level executives - embarking on a sourcing initiative by interpreting the high-level stages of the sourcing life cycle as presenting a strict chronology of activity.

When traversing an iteration of the cycle it is important to recognise dependencies between the major stages. It is very important to recognise that excellence in Ongoing Management, the longest duration stage of the cycle, will only be possible if the prerequisite capabilities are planned, prepared and established during the earlier stages.

We highly recommend our clients consider the five stages in the order 1 – 5 – 2 – 3 – 4 when planning the work activities for an outsourcing initiative. We have found that doing so compels our clients to give appropriate early attention to the task of building the sourcing management capability.

Figure 3 Activities through the sourcing life cycle

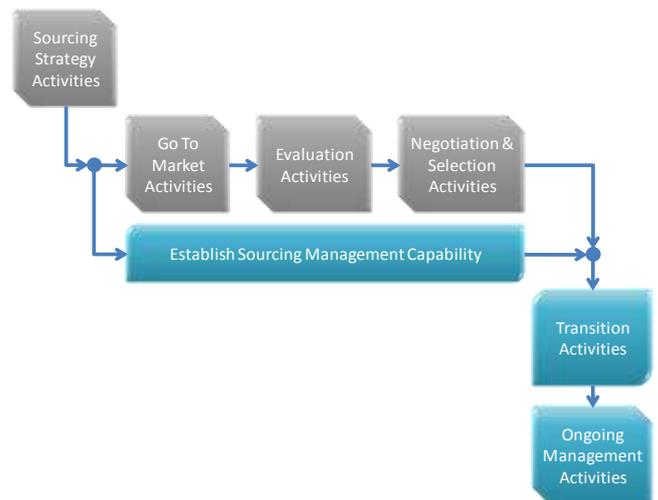


Figure 3 models our recommended order of activity as it might be represented in a high-level project network or flow chart. The diagram highlights the need to establish the sourcing management capability at the same time as progressing the Go To Market through Negotiation & Selection activities.

Following the 1 – 5 – 2 – 3 – 4 mantra guards against the immediacy (and often, urgency) of activity for the other four stages causing deferment of action to build the sourcing management capabilities until too late. It helps to ensure adequate resource and time is allocated to planning, preparing and establishing the sourcing management capability.

END OF EXTRACT



CHERUB is a specialist advisory and consulting firm that brings together a rich heritage of experience and expertise in business and ICT sourcing and vendor management. Our clients rely on us to deliver solutions that address their complex and challenging sourcing and vendor management issues.

We are about practical solutions – combining specialist skills in governance, strategy, performance management, with our know-how in IT sourcing, vendor and contract management and program assessment and benefits realisation to provide our clients with a comprehensive and powerful business advisory asset.

We provide the thought leadership, guidance, proven methodologies, templates and tools to help our clients navigate through complex sourcing initiatives, and actively work with them to mentor and coach their procurement leaders and key staff to maximise the benefit from established vendor and supplier relationships.

Our core services include:

- Strategic Planning services
- Sourcing and Selection services
- Vendor and Service Management services
- Benchmarking services
- Program and Portfolio Management services

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