A Diagnostic Approach to Selecting Procurement Best Practice

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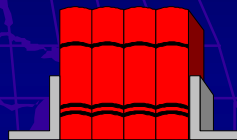**The Open Group**

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Challenge to Procurement Professionals
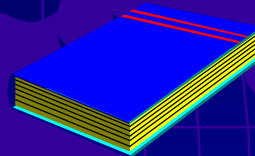
Procurement Methods

- Euromethod
- SOTIP
- CCTA

Dramatic change ?

Procurement Guides

- Buy-IT
- EURAP
- EC Directives

Where to start ?

If I know what the problem is, how do I fix it ?

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VALIDATE Project Objective

Identify a set of IT procurement best practices for Europe which have been:

- **Validated by users**

- **Analysed to determine their impact on projects and organisations**

- **Organised to support selective use and problem solving**

VALIDATE Project Approach

Analysis of IT procurements across Europe

Procurement Best Practices

- Guideline A
- Guideline B
- Guideline C
- Guideline D
- Guideline E
- Guideline F
- Guideline G
- Guideline H
- Guideline I
- etc.

Relationships

?

Project Results

- Less supplier dependency
- Lower maintenance costs
- Lower schedule variance
- Discounts on system purchase
- Reduced integration effort
- Increased supplier support
- Less rework of deliverables
- Higher user satisfaction
- etc.

VALIDATE Procurement Practices

Sources for 'Best' Procurement Practices

- Buy-IT
- EC Directives
- EURAP
- SA-CMM
- EuroMethod
- CCTA

- TAP
- SOTIP
- NATO
- PA
- SPICE
- ISO 14598-4
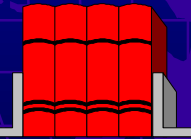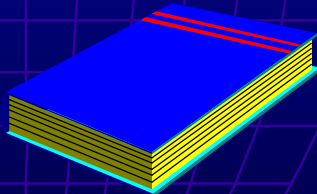
Reference set of best practices

Best Practice Selection Criteria

⇨ **Concise**

   ▪ **almost always a single sentence**

⇨ **Directions action**

   ▪ **give specific direction to the user and identify an action that should be followed**

⇨ **Verifiable**

   ▪ **if phrased as a question, must give a yes / no answer**

⇨ **Objective**

   ▪ **remove subjective words**

   ▪ **e.g. capable, rational, effective, efficient, appropriate...**

Results: 900+ best practices, without duplicates: 300+

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Study Approach

Analysed 35 IT procurements across Europe

Procurement Best Practices

- Guideline A
- Guideline B
- Guideline C
- Guideline D
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Summary of Result Metrics

Financial

⇨ **Supplier Discount**

⇨ **Penalties**

⇨ **Project extensions**

⇨ **Payment terms**

⇨ **Return on investment**

⇨ **Value for money**

⇨ **Additional funding**

⇨ **Unexpected purchases**

⇨ **Budget overruns**

Infrastructure

⇨ **Staff satisfaction**

⇨ **Team cooperation**

⇨ **Decision making**

⇨ **Team satisfaction**

⇨ **IT staff turnover**

⇨ **Users satisfaction**

⇨ **User participation**

Summary of Result Metrics (2)

Process (by phase)

⇨ **Performance**

⇨ **Project satisfaction**

⇨ **Problems detected**

⇨ **Rework and corrections**

⇨ **Completeness**

⇨ **System cost**

⇨ **Man power effort**

⇨ **Training**

⇨ **Project scheduling**

Supplier Related

⇨ **Complaints**

⇨ **User relationship**

⇨ **Supplier dependence**

⇨ **Supplier responsiveness**

⇨ **Supplier information**

⇨ **Supplier cooperation**

Study Results

⇨ **Diagnostic Guidebook**

  ▪ **Best Practices organised by results achieved**

  ▪ **Identified 'super' Best Practices**

  ▪ **Surprise practices**

⇨ **Combined reference set of Best Practices**

  ▪ **Taken from leading sources**

  ▪ **Organised by procurement function**

  ▪ **Cross-referenced to original source**

⇨ **Set of metrics to measure project performance**

⇨ **Case studies giving examples of how selected practices are implemented**

⇨

Putting the Best Practice Guide to Use

Some Actual Examples

- **Reduce complaints**
- **Improve team cooperation**
- **Reduce system costs**
- **Reduce procurement effort**

Diagnostic Example 1

⇨ **Objective: Reduce the number of complaints from procured systems**

⇨ **Best Practices:**

- **Control requirements**
- **Pay suppliers only upon delivery**
- **Have operational staff participate in procurement process**
- **Select team members based on skill profiles**
- **Document procurement milestones**
- **Use third parties to support decision making**
- **Include training requirements in procurement plan**
- **Require demos and proof of performance**
- **Establish a key supplier list**
- **Use open systems standards**

Diagnostic Example 2

⇨ **Objective: Improve team cooperation**

⇨ **Best Practices:**

- Establish procedures to control requirements
- Establish formal contract change procedures
- Use a scoring system for supplier selection
- Put in place a problem tracking system
- Reward identification of risk
- Identify training requirements for procurement team
- Schedule periodic reviews with suppliers
- Establish multiple levels of supplier communication
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Diagnostic Example 3

⇨ **Objective: Reduce systems costs**

⇨ **Best Practices:**

- Establish modelling of user needs
- Establish a single authority for supplier acceptance
- Put in place contract change management procedures
- Have operational staff participate on procurement teams
- Utilise external consultants to evaluate supplier solutions
- Procurement process includes risk management activities
- Utilise stepwise introduction of new systems
- Identify system management resources in plan
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Diagnostic Example 4

⇨ **Objective: Reduce total effort required for procurements**

⇨ **Best Practices:**

- ▪ **Establish procurement programme goals**
- ▪ **Put in place regular contacts with strategic suppliers**
- ▪ **Establish procedures to control requirements**
- ▪ **Analyse procurement failures**
- ▪ **Document issues resolutions with suppliers**
- ▪ **Plan evaluations of supplier deliverables**
- ▪ **Require detailed tests plan from suppliers**
- ▪

A word about significance

⇨ **Analysis shows the presence of a relationship - not always a 'cause' and 'effect'**

⇨ **All relationships identified have a less than 5% chance of occurring randomly**

⇨ **Be sensitive to groupings of best practice**

⇨ **Remember we only analysed currently documented best practices - you may have an additional best practice !**

How to Put the Diagnostic Data to Use

⇨ **Identify 1-2 areas where you want to improve**

⇨ **User the Diagnostic Guidebook to identify significant best practices**

⇨ **Obtain context by reviewing original source**

⇨ **Establish an improvement plan**

⇨ **Collect metrics before you implement**

⇨ **Introduce change**

⇨ **Monitor results**

⇨

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What are the best practices associated with improved results in many areas?

Top 10 Best Practices

⇨ **Identify and include training requirements in RFP (27)**

⇨ **Analyse procurement failures (23)**

⇨ **Acceptance criteria defined in contract (22)**

⇨ **Require a configuration management plan (21)**

⇨ **Establish a core usable system first (19)**

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Top 10 Best Practices (2)

⇨ **Require proof of supplier's capabilities (18)**

⇨ **Procurement procedures include risk management (17)**

⇨ **Supplier payments only on delivery (15)**

⇨ **Operational staff participate on procurement teams (14)**

⇨ **Detailed tests plan exists (14)**

⇨

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Some Surprises

⇨   **User needs are documented (-23)**

⇨   **Give preference to COTS (commercial) products (-18)**

⇨   **Benchmark existing systems before new purchase (-15)**

⇨   **Utilise external resources for quality reviews (-8)**

⇨   **Supplier is aware of selection criteria (-7)**

⇨   **Use cross functional procurement teams (-6)**

⇨

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Some Favourites

⇨ **Procure using open systems standards**

- fewer cost overruns
- fewer complaints about systems
- reduced development effort
- higher user satisfaction

⇨ **Use of scoring system for decision making**

- better team cooperation
- higher user satisfaction
- fewer problems and effort for maintenance
- lower system cost

⇨ **Regular strategic supplier meetings**

- Much higher supplier discounts
- Much sooner time for ROI
- Much lower maintenance costs

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Conclusion

⇨ **Use the Guidebook to learn more about procurement best practices**

⇨ **Diagnose what practices might provide improvements**

⇨ **Consider whether you need assistance making changes**

⇨ **Define an improvement programme and track results**

⇨

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