

White Paper

Seven Factors Critical to Effective Supplier Selection

Providing you with:

- ✓ Insight into different supplier selection approaches
- ✓ An overview of key stages in the process
- ✓ Practical tips to get the supplier and solution you need



Introduction

As a growing number of organisations recognise the potential for disruption and innovation offered by digital technologies - not to mention the improved ability to demonstrate the ROI of any new initiatives - it's more important than ever that those responsible for choosing suppliers tailor their selection processes to deliver the greatest possible value.

However, that's not always as easy as it sounds.

With all-encompassing projects such as digital transformation programmes becoming increasingly necessary, forming sustainable, long-term relationships with your suppliers is crucial - after all, it's only by investing in this kind of partnership that you'll be able to facilitate the continual improvement processes required for success. So although price might be front-of-mind at first, in reality there are likely a whole host of other critical factors to consider too.

It's important for example that you aim to choose a supplier who will not only deliver what you need first time round but with whom you can work too. Fail to do this, and you could find yourself re-running the selection process all over again, at great effort and often great expense.

So, whether you have a dedicated procurement department and are looking to refresh your processes, or are undertaking your first supplier selection project and need advice on getting started, this white paper is for you.

We'll cover all your key considerations and take you through every stage of the process - from identifying the right approach overall to defining your selection criteria - to make sure you end up with the solution your organisation needs to grow and thrive.



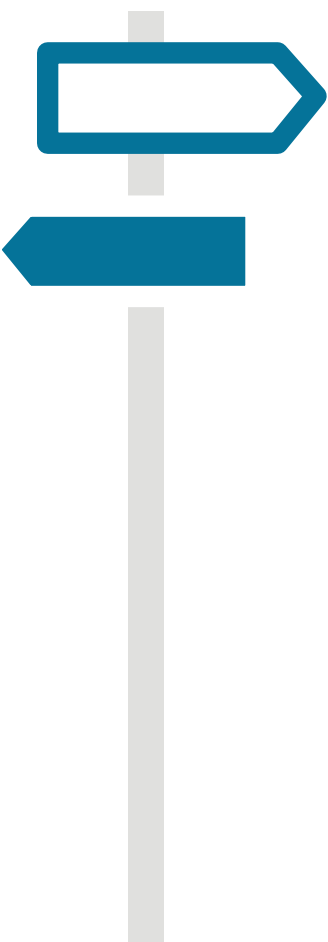
Choosing the right approach

The approach you take to supplier selection of course depends on the solution you wish to source and - perhaps most importantly - the outcomes you hope to achieve.

If you're looking for a commoditised product or service for example, being prescriptive can often be highly beneficial. Providing your shortlist with a detailed specification that contains all the information they need will eliminate unnecessary questions, and reduce the risk of you receiving proposals that simply don't fit your established requirements - making it easier for you to focus on identifying those suppliers who can help you get the most out of your project.

As efficient as all this detail may be though it can be equally as restrictive, and may prevent you from being able to explore more creatively-led solutions. Which is particularly relevant if you're looking for consultative services, or are entering into a domain where you have limited knowledge.

In these situations, rather than a detailed and lengthy specification, it may be more appropriate to provide a concise briefing document. Doing exactly what it says on the tin, this is a brief overview of your vision and goals, leaving plenty of scope for innovation and experimentation from the bidder. And, while a brief-based format still requires an investment of time and effort (more on which later), its focus on facilitating collaboration rather than delivering weighty documentation means that upfront work is often greatly reduced - making it ideal for rapidly long- and short-listing a wide range of potential solutions.





Understanding where value lies

As we referenced up front, when thinking about the criteria against which your suppliers will be assessed, budget is often front-of-mind - whatever approach you employ.

However, while it is undeniably important, many organisations approach budgeting in a way that doesn't best support the delivery of a truly effective solution - often defining their budget well before they reach an understanding of where the value might lie.

But value differs, and for your organisation it may legitimately be in finding a supplier who will follow your instructions to the letter, for the lowest possible cost. If you're seeking to innovate or disrupt the market however this is unlikely to be the case (a fact evidenced by the suggested format for these kinds of projects, which encourages the collaborative exploration of ideas).

When your ambitions fall into the latter group, you'll find it's best to budget for outcomes, rather than features, and look for the solution that will deliver the greatest return on investment against these; although you may need to take a long-term view here. With regards scalability, for example, automating processes can have an exponential impact on efficiency as you scale up your systems, and if you're planning to integrate additional functionality into your solution in the future you'll want to make sure it's set up to accommodate this from the outset.

(For more information on defining and allocating an effective digital budget, take a look at our [white paper](#) on the subject.)

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Building a shared understanding

Once you've established the value you're looking to deliver, you'll need to make sure that everybody in your organisation shares an understanding of what it is that you want to achieve - and that they buy into your vision. This latter point is crucial: a third of organisations cite a lack of involvement from senior stakeholders as a reason for project failure (source: University of Ottawa) so make sure that yours are engaged from the outset.

Building this shared understanding at the procurement stage is of particular importance because there are several points of potential disconnect here - from the project owner communicating their vision to the team or individual responsible for supplier selection, to the preparation and delivery of the appropriate documentation to suppliers, and the presentation of a relevant proposal (and cost) back to the various stakeholders in the procuring organisation. Don't forget, any misunderstanding between these groups is likely to undermine the desired outcome.

Make sure, then, that you include all relevant stakeholders - such as project teams, procurement professionals, budget holders and signatories - as early as possible in this process so that their needs, questions and considerations are understood, and can be addressed and factored into your plans. This could be facilitated in a number of ways - through a series of collaborative workshops for example, or even a standalone 'discovery' project that will allow you to validate assumptions and remove guesswork. What's crucially important is ensuring everyone involved has a clear picture of the specific problem the project is trying to solve, and perhaps even a view of the potential solutions on offer.



Keep your stakeholders on hand throughout the supplier selection process too - to provide advice and feedback as necessary - but also so the shared understanding you've worked hard to establish isn't lost along the way.

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Including the right information

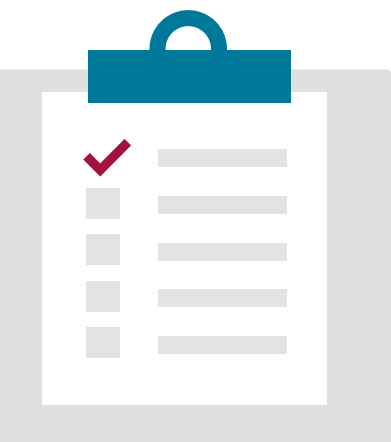
While it's important to give suppliers enough information at the start of the supplier selection process to facilitate the delivery of a relevant (and appropriate) proposal, providing too much granularity can hinder innovation and prevent disruptive thinking. Make sure, therefore, that all the information you include serves a purpose.

Of course, there are certain details that you'll always want to include. Your overarching vision and objectives, for example, are the driving force behind the project and provide the ultimate measure of its success. An explanation of the problem, too, along with your customer profiles (whether this is internal or external customers), a description of what 'good' will look like, and a summary of the value that is expected be delivered will provide valuable context - to help make sure your project stays on track.

There may be times, however, when you'll want to provide additional information again. For example:

- Required features and functionality
- Existing workflows, processes and technology stacks that will need to be accommodated
- Examples of similar solutions that you think are particularly good (and bad!)
- Your scoring matrix

Whatever you determine is the 'right' information for your project, it's crucial that you always communicate this as efficiently as possible. Aim for maximum clarity and consistency across all your documentation, and be sure to include contact details and escalation routes should further communication be required.



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Engaging with suppliers

If you're working in a strictly-controlled tendering process, your written documentation will most likely need to cover all the information required to run your supplier selection process, without any additional communication with suppliers. If you have a more flexible model however, engaging directly with your shortlist can prove extremely valuable.

After all, no matter how detailed a document you create, it will still be based solely on your understanding of your work and your vision. Even if you've researched emerging trends and opportunities within your market, you could well be missing out on the latest thinking from across other industries - thinking a specialist supplier, with an expert knowledge of their discipline, can provide you with access to.

“ **A frog in a well knows nothing of the great ocean.**”
Chinese proverb

By engaging with the bidding suppliers you'll not only benefit from a much wider pool of innovative thinking and best practice examples, but will also be able to communicate your goals, requirements and constraints more clearly than through documentation alone. This helps eliminate any potential for confusion, reduces the risk of surprises occurring further down the line and opens your organisation up to receiving the best possible range of solutions.



Remembering that supplier selection is a two-way process

As well as working to improve the relevance and quality of any proposed solutions, a collaborative approach to supplier selection can also let you get a feel for what it might be like to actually work with the teams in question - an important factor in the success of any project but particularly where large, long-term initiatives are concerned.

Bear in mind, though, that the suppliers you speak to will similarly be using this process to vet you, in order to understand how they'll be able to work with you and - crucially - whether they'll be able to do their best possible work for you. It's important to understand that this is a good thing - the supplier is doing their very best to ensure that, for both of you, the project is given the greatest possible opportunity to succeed. At this point you're both working to identify any cultural or personal clashes, for example, or to validate that you can all work comfortably within the required methodology or framework.

Remember that not facilitating, and engaging in, this process will naturally increase risk on the supplier's part, and consequently they may factor greater levels of contingency into their costs, or stipulate stricter terms. Make sure, therefore, that you're as open and cooperative as possible throughout the process (while remaining true to your own ways of working, of course!).





Investing enough in the selection stage

As this white paper has demonstrated, there's a lot to think about during the supplier selection process and so our final success factor is ensuring you have the required resources available to manage it effectively.

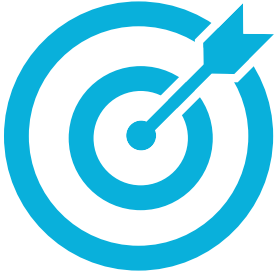
This doesn't just mean budget but also people's time - particularly if you're employing the collaborative, discovery-focused approach described in section one. To safeguard the smooth running of this approach you'll need to ensure your suppliers fully understand the brief, and be available to validate any early concepts, so make sure this is taken into consideration when planning timescales and schedules.

And while it may sound like your procurement process is becoming a significant upfront investment, remember that not making the right decisions at this point will likely end up wasting you even more time and budget further down the line.

Squeezing the selection process might well deny you the opportunity to measure shortlisted suppliers against crucially-important criteria such as the cultural fit between your two organisations and the methodologies with which you want to work. Plus there's a greater risk that you'll choose a supplier that isn't right for you - increasing the likelihood of failure down the line.

In the worst-case scenario you may even have to go back to the beginning and start all over again, not only having wasted time and money, but weakened your position in the market as well. Perhaps it's not such an unnecessary cost after all...

Conclusion



In a diverse digital landscape, a one-size-fits-all approach to supplier selection is no longer appropriate. Your processes need to be tailored to the type of project you're undertaking and the outcomes you're looking to achieve - particularly as more and more organisations embrace innovative and disruptive thinking in order to gain crucial competitive advantage.

So if you're about to embark on supplier selection, make sure you've done the following:

- Selected the right approach for your project requirements and goals
- Defined the value you expect to be delivered
- Made sure all relevant stakeholders are aware of - and buy into - this vision of value
- Provided 'just enough' detail for suppliers to produce relevant, valuable proposals
- Augmented written documentation with face-to-face supplier meetings, if possible
- Allowed potential suppliers to assess you during the selection process too
- Allocated sufficient budget to ensure all the above can be done properly

We're experienced in working with clients from a wide range of industries to capture a project's vision, define value, and articulate business and user needs - without having to be selected as the project delivery partner! If you want us to do the same for you, [get in touch](#) with a member of our team to talk about our [Requirements Gathering activities](#) and the [other services we offer](#).



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