

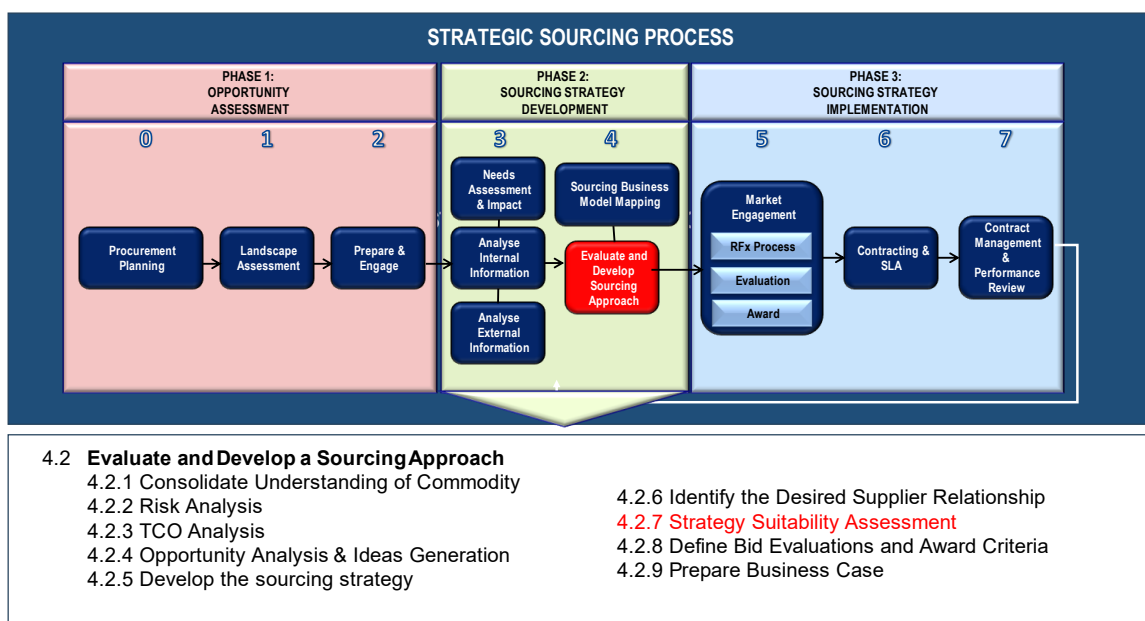
Using this guide

This guide accompanies the National Treasury's Strategic Procurement Framework (SPF) for Strategic Sourcing in the Public Sector. For more information, visit the National Treasury website at <http://ocpo.treasury.gov.za/>

The SPF can be found here:

http://ocpo.treasury.gov.za/Resource_Centre/Documents/1A.%20Strategic%20Procurement%20Framework.pdf

STRATEGY SUITABILITY ASSESSMENT



1.0 Introduction

- i. The suitability and feasibility of the selected “best-fit” sourcing options identified in the previous exercise still have to pass a “government filter” that will look at the procurement legislative framework.
- ii. The following good practice guides apply to this stage of strategy suitability assessment:
 - a. Assess and select strategic options
 - b. Ranking the sourcing options

1.1 The objective

- i. To assess all the “best-fit” approaches and test them for suitability for the government environment, the feasibility of successful implementation and the acceptability of the strategy to the stakeholders.

1.2 Output

- i. List of suitable, feasible and acceptable sourcing options

2.0 Good practice guides

2.1 Assess and select strategic options

- i. The suitability and feasibility of the selected “best-fit” sourcing options identified in the previous exercise still have to pass a “government filter”. This filter looks at the procurement legislative framework.
- ii. Not all identified sourcing options are suitable for the government environment.
- iii. Sourcing strategies should aim to achieve and/or enable overall government objectives, such as local procurement, broad-based black economic empowerment, local economic development, upliftment of SMMEs, and many other socio-economic objectives.
- iv. The following diagram summarises the process of sourcing strategy development as described in the previous guides.



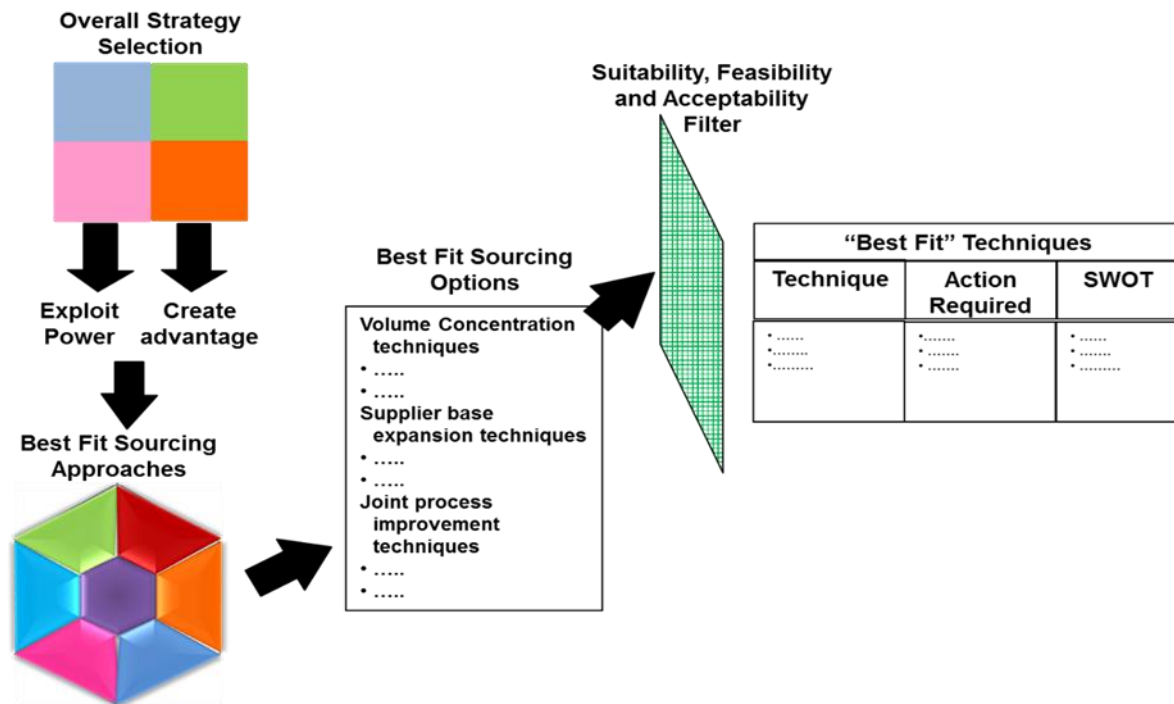


Figure 1: A summary of the Process of Sourcing Strategy Development

2.1.1 Effective strategies must be suitable, feasible and acceptable to stakeholders

- v. All the "best-fit" options should be assessed using suitability, feasibility and acceptability as selection criteria, to determine the optimal strategic choices.

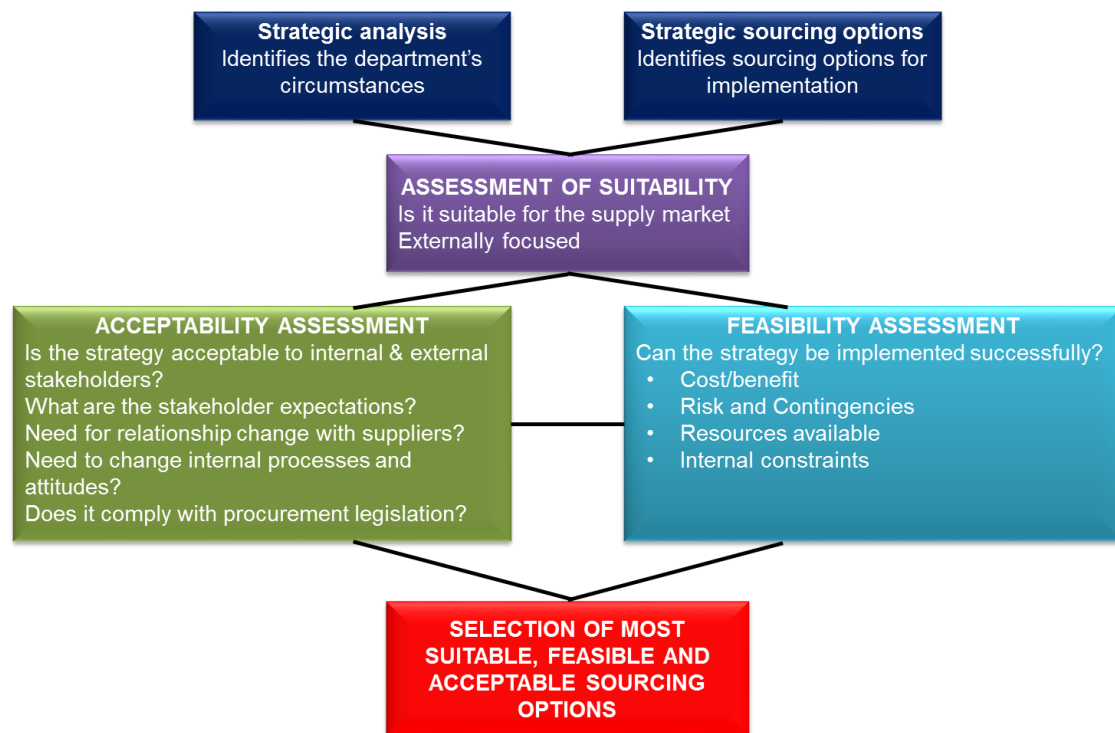


Figure 2: Selection Criteria

2.1.1.1 Suitability

- i. Suitability deals with the overall rationale of the strategy.
- ii. One method of assessing suitability is using a strength, weakness, opportunity, and threat (SWOT) analysis done earlier.
- iii. A suitable strategy fits the procuring institution's mission, reflects the institution's capabilities, and captures opportunities in the external environment while avoiding threats.
- iv. A suitable strategy should develop competitive advantage(s).
- v. To determine suitability, practitioners can use analytical models to evaluate each sourcing option.
- vi. These models include the STEEPLED analysis, Porter's Five Forces and many others such as TCO analysis, value chain analysis, portfolio analysis, etc. as explained in stage 3.
- vii. Suitability analysis evaluates each sourcing option to determine its viability, given the conditions that exist in the external environment.

- viii. This approach, although avoiding the temptation of “recreating the wheel”, also should avoid the “copy-and-paste- approach”.

2.1.1.2 Feasibility

- i. Feasibility is concerned with whether or not the procuring institution has the resources required to implement the sourcing option (such as budget, people, time and expertise).
- ii. Feasibility analysis is the evaluation of the internal capabilities of the institution.
- iii. During this analysis, the practitioner might find that the institution does not have adequate resources to pursue some of the sourcing options, and can decide to exclude these options from further consideration.
- iv. As with suitability analysis, numerous analytical tools are available to assist the practitioner to determine the feasibility of the options, such as value chain analysis, budget analysis, resource (manpower) analysis, business process and gap analysis.
- v. Feasibility analysis evaluates each sourcing option within the context of the resources available within the institution.

2.1.1.3 Acceptability

- i. Acceptability is concerned with the expectations of stakeholders and any expected financial (savings) and non-financial (process improvement) outcomes.
- ii. Stakeholders should accept the strategy based on the risk (such as the probability of consequences) and the potential returns (such as benefits to stakeholders).
- iii. Employees are likely to have concerns about non-financial issues such as working conditions and outsourcing.
- iv. One method of assessing acceptability is through a what-if analysis, identifying best and worst-case scenarios.

2.2 Ranking the sourcing options

- i. The selection of sourcing strategies can be supported through a ranking analysis.

- ii. Ranking should be done in concurrence with all stakeholders to ensure buy-in and a shared focus going forward.
- iii. Summarise and rank the findings of the suitability, feasibility and acceptability analyses using the following table as a guide:

Sourcing option	Suitability	Feasibility	Acceptability	Rank
Do Nothing	(-) Supplier bargaining power remains strong	(-) Fragmented procurement remains	(-) Not achieving savings possible	(-)(-)(-) 4
Best price analysis	(+) Competitive market place	(+) Minimal cost to implement, significant cost reduction	(-) Stakeholder-preferred suppliers likely to be rejected	(+)(+)(-) 2
Volume leverage	(+) Increase supplier market share	(+) High demand	(+) High potential saving	(+)(+)(+) 1
Expand Supplier Base	(-) Limited suppliers	(-) Limited resources to implement	(+) Collaboration relationship with the selected supplier	(-)(-)(+) 3

Table 1: Ranking the Sourcing Options

3.0 Templates

Not applicable