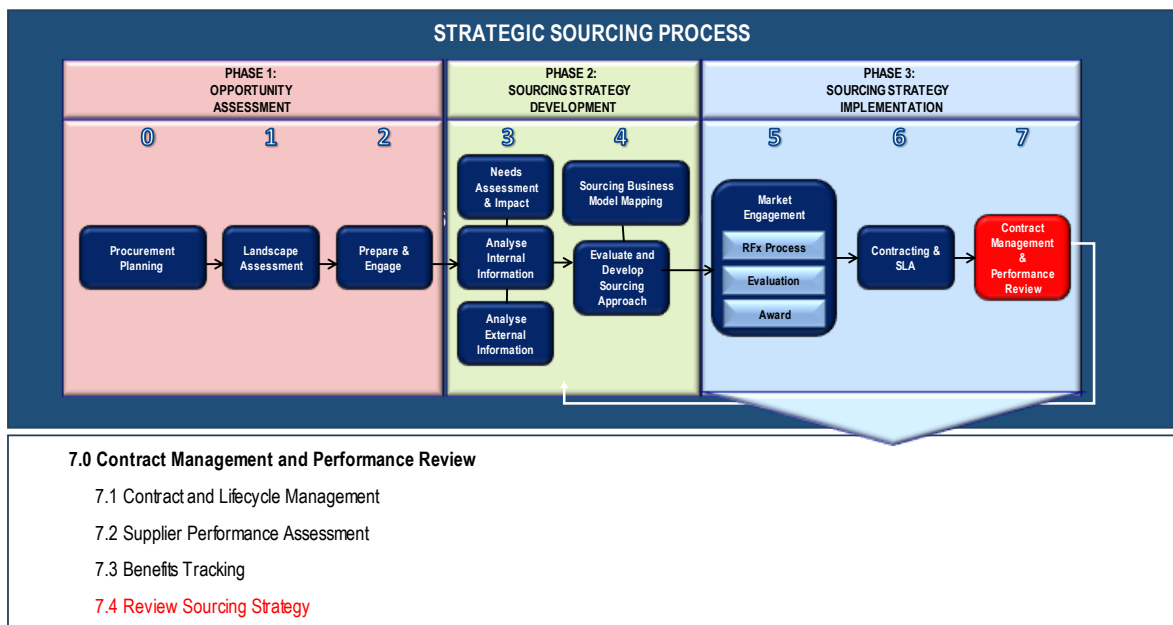


**Using this guide**

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

**REVIEW THE SOURCING STRATEGY**



**1.0 Introduction**

- i. Reviews are an important part of the overall procurement process.
- ii. A review can improve procurement management and demonstrate public accountability by providing an honest independent appraisal of the procurement, the delivery of the contract and the outcomes achieved.

- iii. The environment, both internal and external to the institution in which procurement is conducted, is ever changing. A review must therefore be conducted frequently to have a sourcing strategy that is always fit for purpose.
- iv. The cross-functional sourcing team is responsible for the review process
- v. The review is part of checking the processes to improve and enhance future execution.
- vi. The review will also include lessons learnt and improvement mechanisms.
- vii. The review process covers all the stages of the sourcing process.
- viii. A review provides an opportunity to check if the anticipated benefits have been achieved, and if there are opportunities for improvements in what we do and how we do it.
- ix. Reviews are a way of communicating the value of the procurement to the responsible Minister and the South African taxpayer.
- x. Review recommendations must be implemented by the procuring institution if a 'learning organisation' is to succeed and a real opportunity for continuous improvement is provided.
- xi. The following good practice guides and templates are applicable when conducting the sourcing strategy review;
  - a. Conducting the reviews
  - b. Different types of reviews
  - c. The strategic sourcing review checklist (template)

### **1.1 The objective**

- i. To provide for continuous improvement and ensure that the commodity sourcing strategy is relevant and up-to-date.

### **1.2 Output**

- i. Sourcing Strategy Review Report

## **2.0 Good practice guides**

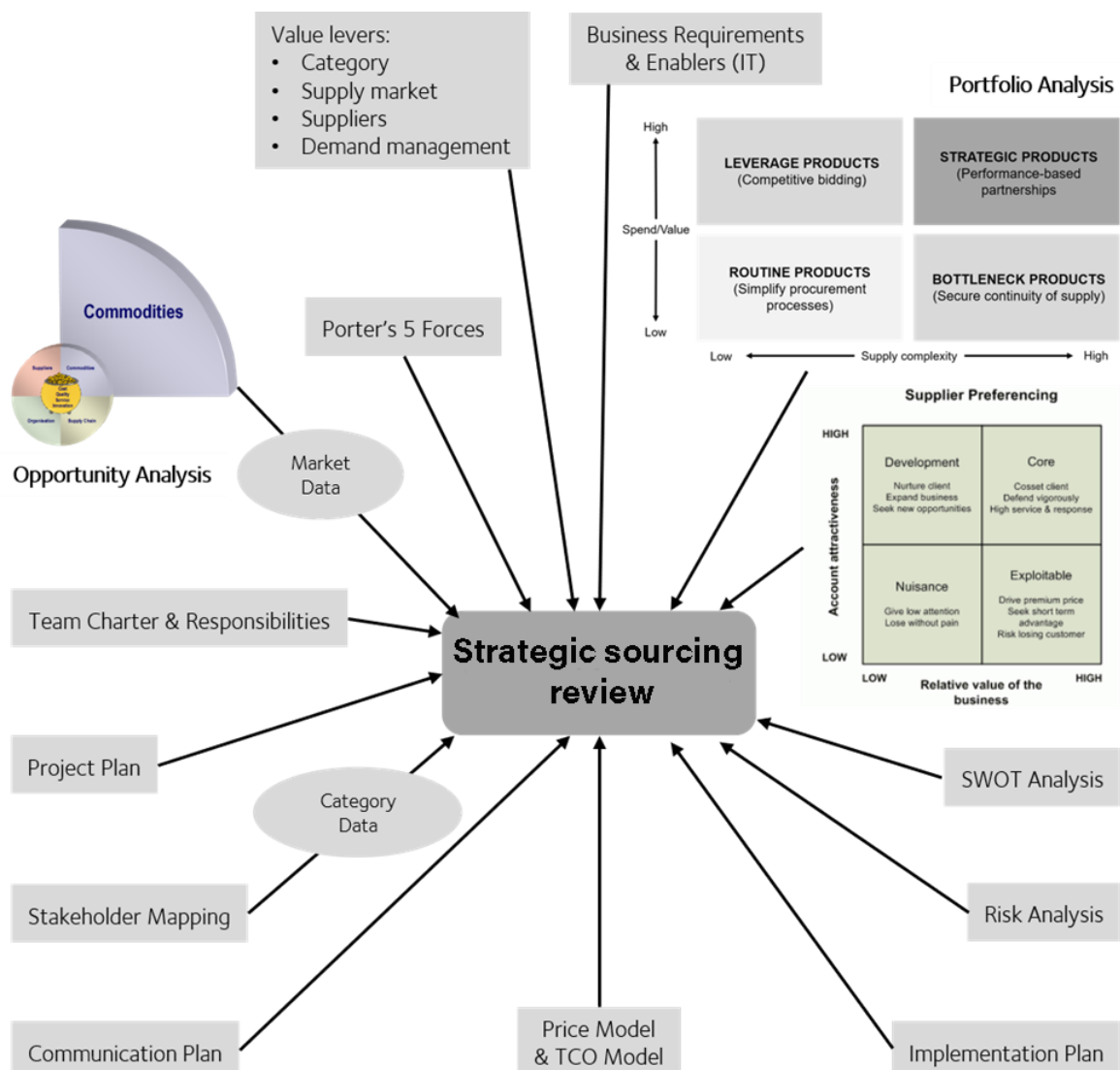
### **2.1 Conducting the reviews**

- i. Reviews must be conducted openly.
- ii. Procuring institutions must be prepared to learn to get the most value from a review.
- iii. Participants must be prepared to provide constructive criticism.
- iv. It is only in this way that real lessons will be learned or improvements to policy or business objectives made.
- v. If the review is to add real value, its recommendations need to be implemented by the institution, and key stakeholders must lead the process.
- vi. This may involve realigning policy settings or changing business systems or processes.
- vii. Recommendations must be strong enough for the institution to be able to act upon them.
- viii. The review can be on a particular stage of the sourcing process, or the entire process, depending on the needs of the procuring institution.

#### **2.1.1 Analysis**

- i. Analysis of the information gathered during stages 0 to 7 will involve comparing what happened against that which was predicted.
- ii. It will examine what was done well and what was done badly.
- iii. The data obtained from the information gathering is brought together and recommendations that are coherent, useful and supportable are formulated.
- iv. The review in this case does not mean a change of documentation or tools, but means the process followed in arriving at the sourcing strategy.
- v. To ascertain if the decisions were also informed by quality data, such as:
  - a. Fact base
  - b. Spend analysis
  - c. Supply market analysis
  - d. Commodity lifecycle
  - e. Key performance drivers
  - f. Cost analysis (TCO)

- g. Demand analysis
  - h. Usage analysis
  - i. Industry analysis
  - j. Opportunity assessment
- vi. The success of the development and execution of a strategic sourcing strategy relies on the quality of information and several dependencies. So the review should cover all the elements indicated in Figure 1.



**Figure 1: Strategic Sourcing Review**

**2.1.2 Who do you involve in the review?**

- i. Who should be involved will depend upon the nature of the review and when the review is being undertaken.
- ii. Usually the senior 'business owner' or 'sponsor' of the initiative under review, is ultimately responsible for the review.
- iii. The cross-functional sourcing team.
- iv. Team members conducting the review will typically include:
  - a. People with working knowledge of the procurement process.
  - b. People with working knowledge of the policy/business area under review.
  - c. People with relevant specialist or technical knowledge of the procurement initiative.
  - d. People involved in using the outcomes or receiving the benefits of the initiative.

**2.2 Different types of reviews**

- i. Reviews can occur at different stages in procurement and even after the contract has been completed.
- ii. Deciding what to review and when to review should be part of your procurement plan.
- iii. The type and depth of review will depend on the nature, scope, value, level of risk and complexity of the procurement.
- iv. The review might be operational/tactical or strategic.
  - a. Operational or tactical review might entail engaging with the stakeholders and ensuring a project/sourcing team is functional
  - b. Strategic review might entail reviewing the entire sourcing strategy and repositioning the commodities across the sourcing business models and the Kraljic Matrix.
- v. As a general rule, the high-spend and high-risk commodity strategies will require frequent and in-depth reviews.

### **2.2.1 Review on award of contract**

- i. It may be valuable to review the procurement process once the contract has been awarded.
- ii. This review is tactical/operational and may consider such factors as:
  - a. Stakeholder engagement and relationship management
  - b. Quality of specification of requirements
  - c. Market research and approach to market strategy
  - d. Effectiveness of evaluation methodology and due diligence
  - e. Performance of the evaluation team
  - f. Conduct of negotiations
  - g. Award of contract
  - h. Outcomes against objectives
  - i. Lessons learned
  - j. Report back to the sponsor and management team.

### **2.2.2 Regular reviews – contract implementation**

- i. As well as monitoring and tracking progress during the delivery of the contract, for longer-term contracts, specified review points may be helpful.
- ii. This may be valuable to inform ongoing implementation and contribute to the process of continuous improvement.
- iii. Regular reviews during implementation are tactical/operational and may consider such factors as:
  - a. Deliverables against specification
  - b. Charges against contract price
  - c. Quality against key performance indicators/standards
  - d. Improvements in key performance indicators/standards
  - e. Opportunities for cost or efficiency gains
  - f. Supplier's performance
  - g. Institution's performance in contract management
  - h. Institution's performance in "on-time" payment
  - i. Quality of relationships with suppliers and key stakeholders

- j. Identify lessons learned
- k. Report back to the contract manager, supplier and project sponsor.

### **2.2.3 Post-implementation review**

- i. A post-implementation review is a formal review of a procurement initiative.
- ii. It is used to answer the question: 'Did we achieve what we set out to do, in business terms and if not, what should be done?'
- iii. This type of review is done when there has been time to demonstrate the business benefits of a new procurement initiative.
- iv. It is usually appropriate for a procurement that represents a major financial expenditure, or a new initiative.
- v. It can be carried out as a single review or several reviews over time.
- vi. Post-implementation reviews are strategic/high-level reviews and may consider such factors as:
  - a. The achievement (to date) of business case objectives
  - b. Costs and benefits to date against forecast, and other benefits realised and expected
  - c. Continued alignment to the public policy/business strategy
  - d. The effectiveness of revised public policy/business objectives
  - e. Ways of maximising benefits and minimising cost and risk
  - f. The sensitivity of stakeholders to expected change
  - g. End-user satisfaction
  - h. Identify lessons learned
  - i. A report back to the project sponsor and senior management.

#### **2.2.3.1 Post-implementation review (PIR) timing**

- i. The timing of the first post-implementation review (PIR) will depend on the predicted benefits brought about by the procurement, as forecasted in the business case.
- ii. Although time must be allowed for benefits to accrue, it is important that the PIR is completed early enough to identify any problems.
- iii. Remedial action can be taken promptly if predicted benefits are not realised.

- iv. The initial post-implementation review would usually be carried out 6 to 18 months after completion of the contract.

**2.2.3.2 Key sources of information**

- i. The views of stakeholders and end users form the basis for information gathered at interviews and workshops.
- ii. The main sources of documented information will include:
  - a. The business case
  - b. Information kept to track costs and benefits
  - c. Previous review reports.
  - d. Contract performance monitoring reports

**2.2.3.3 Reporting the results**

- i. The post-implementation review is concerned mainly with maximising the effectiveness of the business change.
- ii. Results are reported to the leadership teams within the area(s) who are most able to influence changes to the day-to-day operation of the procurement arrangements.

**2.2.3.4 Common problems**

- i. Several common problems may be encountered in carrying out post-implementation reviews and the review team needs to be aware of these, although they may not be able to solve all of them.
- ii. Common problems include:
  - a. More than one organisation is involved, and there is no common standard for measuring and recording the benefits and costs;
  - b. Lack of documentation recording the procurement and contract implementation;
  - c. Lack or inadequacy of baseline measures: for a post-implementation review, measures of success can only be made accurately by comparing the level of performance before the project implementation against that at the time of the post-implementation review;

- d. Sensitivities: examining the performance of project teams, or current operations against a predicted level may lead to feelings of insecurity or grievance for those who were involved with the project, or in the business area supported by the change;
  - e. Management of expectations: although the use of reviews will improve the effectiveness of the agency, the review team should ensure that they raise expectations of public policy changes, system enhancements or business changes. They may cost more to implement than the value of the benefits they would deliver; and
  - f. The institution is too busy to do a post-implementation review and never gets it done.
- iii. There should be procedures to ensure that reviews are carried out as part of the institution's normal practice.
- iv. Some actions that can be taken to avoid or reduce these problems:
  - a. Rigorous investment in ongoing appraisal and reviews;
  - b. Identification of benefits and efficiency gains and a system to implement them;
  - c. Careful selection of the project team to ensure independent review;
  - d. Formal agreements with suppliers to participate in the post-implementation review process.

### 3.0 Templates

#### 3.1 The Strategic Sourcing Review Checklist

No.	Check	Yes	No	Comments
1	Was the sourcing strategy aligned with procuring institution policies and goals?			
2	Did the business case for the sourcing strategy, include the feasibility study and the recognition of dependencies and attributable (integration) costs?			
3	Did the procurement plan include social values? If yes, were these values achieved?			
4	Did the sourcing strategy include the cost savings as targets? If yes, were these achieved?			
5	During the sourcing strategy execution, was the cross-functional-sourcing team constantly involved during the implementation?			
6	The strategic sourcing methodology has several tools, which include guides and templates. Were these tools used appropriately?			
7	Was the strategic sourcing methodology followed?			
8	Were the role players clear on what was expected of them?			
9	What could have affected the implementation of the sourcing strategy? List the factors here. a. b.			

No.	Check	Yes	No	Comments
	c. d. e.			
10	Would you require support? If so, what kind of support do you need? List the support required below. a. b.			

**Table 1: The Strategic Sourcing Review Checklist**