Are you grouping your capabilities to ensure effective Procurement?

A comprehensive insight into assessing risk and stakeholder requirements when managing Procurement deliverables. This content is supplied by Noah Maheya & Graham Tomkinson who are public sector procurement consultants.
Are you grouping your procurement deliverables right?

Grouping of capabilities is an important stage in the procurement process once a purchasing organisation’s required capabilities become known and understood.

Key questions include: what is the optimal way to group the required capabilities to meet the purchasing organisation’s set objectives, which cascade to the objectives of the procurement team?

Shall the grouping be such that one supplier does everything or have a myriad of suppliers delivering small discrete elements?

This primordial stage should identify pros and cons to both approaches and relate them back to a purchasing organisation’s objectives and the associated objectives of the procurement. A multi-grouping approach, for example, procures best in class solutions and services for the distinct groups but at the same time presents integration challenges from a technical, operational and commercial level which will require the services of a competent integrator. On the contrary, a single grouping resolves integration challenges by creating a single point of failure but creates inflexibility; it is relatively simple to terminate and replace a small discrete contract package in instances of poor supplier performance and failure rather than a large single contract covering end to end service provision.

How then can a purchasing organisation get its grouping right in such a cloud of numerous possibilities?

Using a cross functional team that includes at least procurement person(s), technical expert(s) and end user(s), here are seven useful steps to follow:

1. Set out the grouping design principles for the procurement. Grouping of capabilities should:
   - Cover the full scope of the required capabilities in mutually exclusive and comprehensively exhaustive manner.
   - Be evidence based from comparable procurements and good industry practice.
   - Be aligned to the capabilities of the market so that different risk transfer models for the parts of the capabilities that can be procured from the market can be readily identified and considered.
   - Represent a viable and attractive market proposition.
   - Apply lessons learnt from previous or comparable industry procurements.

2. Use the principles in 1 to generate a spectrum of options, ranging from a single grouping to a maximum number of individual groupings as typified by industry best practice or market offering. Validate these options, by involving other parties that are not in the immediate cross functional team if necessary, to ensure that every conceivable and practical option is not overlooked.

3. Agree assessment criteria to allow the relative strengths and weaknesses of each grouping option to be assessed objectively. The assessment criteria should relate to a purchasing organisation’s objectives for the procurement. Examples of assessment criteria (including key questions to consider under each criteria) include:

   **Improved customer service**
   - Can suppliers’ performance be assessed objectively against customer service metrics for the grouping option?
   - What is the likelihood of the grouping option disrupting operations and affecting customer experience?
   - Does the grouping option provide clear boundaries to allow recourse from the supplier if customer service is disrupted?
Optimised value and costs
- Can the quality of the service from the option be objectively and independently assessed?
- Can the payment mechanism and contract terms for the group(s) incentivise good risk management?

Market attractiveness
- Is there likely to be sufficient market appetite for the grouping option?
- Is the overall value of the grouping significant enough to be attractive to the market?
- Does the nature of the group(s) and/or their strategic importance suggest that it/they will be seen by the market as potentially profitable ventures?

Market capability to deliver
- Is there evidence that the market is capable of delivering the whole group offering?
- Does a significant market with sufficient capacity exist for the group option?
- Is there any evidence of market failure to deliver?

Ease of integration and delivery
- Can the outputs be described in contractual terms, which would be objective, specific, measurable and deliverable?
- Does the scope of the grouping lend itself to providing the contractor with "end-to-end" control of the relevant functional processes?
- Does the grouping have clear boundaries to allow clear and manageable interfaces between them to ensure effective integration?

Purchasing organisation's delivery capability
- Does the purchasing organisation have the skills and resources to define, deliver and support the output, procurement and the subsequent delivery period?
- Has the purchasing organisation's delivery capability to manage the total output been demonstrated elsewhere?
- Can the grouping be implemented without constraining unacceptably the flexibility of the purchasing organisation to deliver other projects?

Deliverable within timescales
- Is the procurement of the group(s) feasible within the required timescales for the purchasing organisation?
- Is there sufficient time for the resolution of key issues that may arise from procuring the total grouping?
- Is there sufficient time for the resolution of transitioning issues from any current delivery model that may arise from this grouping option?

4. Set out an objective risk based scoring framework for the assessment criteria to reflect the importance placed on mitigating delivery risk of all options. A risk based scoring framework with scores on a spectrum of 1 – 5 could be applied where 1 represents very high risk and 5 very low risk for each assessment criteria. An example of such a framework could be as follows:
<table>
<thead>
<tr>
<th>Score</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Very high risk of not meeting the criteria. Nearly all the key questions of the assessment criteria will <strong>not</strong> be addressed.</td>
</tr>
<tr>
<td>2</td>
<td>High risk of not meeting the criteria. Most key questions of the assessment criteria will <strong>not</strong> be addressed.</td>
</tr>
<tr>
<td>3</td>
<td>Medium risk of not meeting the assessment criteria.</td>
</tr>
<tr>
<td>4</td>
<td>Low risk of not meeting the criteria. Most key questions of the assessment criteria will <strong>be</strong> addressed.</td>
</tr>
<tr>
<td>5</td>
<td>Very low risk of not meeting the criteria. Nearly all key questions of the assessment criteria will be addressed.</td>
</tr>
</tbody>
</table>

5. Score each grouping option against each assessment criteria using the risk based scoring framework. It is essential that the scoring is initially carried out independently by each cross functional team member. The members can then convene and moderate their scores and justifications for the scores for each option. Ensure an independent assurance of these scores and justifications, by involving other parties that are not in the immediate cross functional team if necessary. An option with the highest cumulative score of the assessment criteria would be selected as the preferred grouping option.

6. Test the preferred grouping option with the market through a market engagement exercise. Findings from market engagement exercise may necessitate rescoring of the pre-market engagement options (step 5 above) and the scoring of additional ones suggested by market. A grouping option with the highest cumulative score of the assessment criteria would be selected as the preferred option which may be similar or different to the pre-market engagement grouping option.

7. The final step involves identifying risks in line with the RAID framework: Risks, Assumptions, Issues and Dependencies with the preferred grouping option and putting in place necessary mitigations to ensure deliverability of this option in the most economical, efficient and effective way.

Grouping provides a quantum leap to the quality of decisions about commercial and sourcing arrangements of a delivery model, so getting this primordial stage (made up of the seven steps above) correct, paves way to a successful delivery of capabilities necessary for a purchasing organisation to deliver its set objectives.

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