



**High Performance
Procurement
Services**

High Performance Procurement: Overview

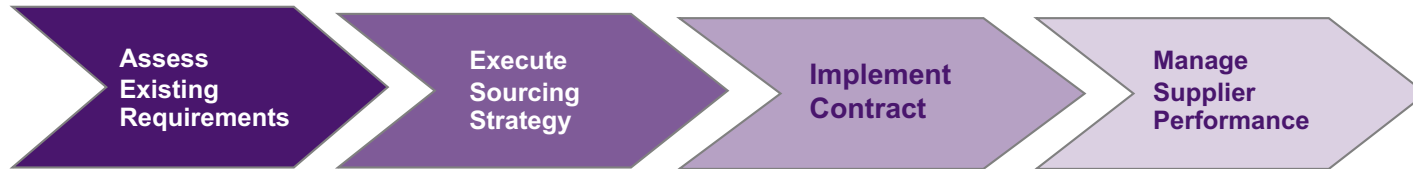


- High Performance Procurement (HPP) features a disciplined methodology employing innovative practices and creative strategies to improve savings and quality (total cost of ownership) optimizing your vendor spend.
- A HPP engagement typically starts with an analysis of your contract spend to identify opportunities that can:
 - Reduce or control costs;
 - Improve performance;
 - Manage risk; and
 - Drive continuous improvement and innovation.
- This can be followed by a SWITCH consultant executing strategic sourcing initiatives to identify vendors who can create business value to your firm.
 - This includes the evaluation & selection of vendors and negotiation of contracts (in consultation with your team) that reflect world class procurement principles.

SWICH High Performance Procurement



- **High Performance Procurement (HPP) Services include:**
 - HPP Spend Analysis Service
 - HPP Strategic Sourcing Service
 - High Performance Vendor Management Services
 - Strategic Contract Negotiation Service
 - High Performance Vendor Governance and Supplier Quality Management Service
 - Procurement Policy & Procedure Development Service



- **HPP Service engagement options:**
 - Discrete project basis (Hourly Rate, Fixed Fee, Staff Augmentation, etc.)
 - A comprehensive procurement team program (procurement department transformation, category/commodity implementation, etc.).

High Performance Procurement

Spend Analysis Service

SWITCH HPP Spend Analysis Service

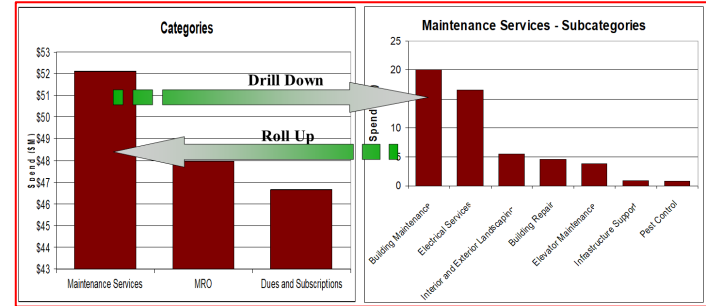


- **SWICH High Performance Procurement Spend Analysis** is focused on identification of opportunities for cost savings by drilling down into key details of your supply contracts, filtering data using various criteria, to provide insight into what your money is spent on.

APLineID	supplierID	supplierName	transactionDate	netAmt	GL Code	Category
810037	0000100333	Dell Computer Corp.	01-Jan-05	1,042.54	0000537000	Computer Hardware
865668	0000100333	Dell Computer Corp.	01-Jan-05	26.90	0000821110	Computer Hardware
865448	0000100333	Dell Computer Corp.	01-Jan-05	0.01	0000821110	Computer Hardware
1045165	0000106537	General Printers	01-Jan-05	3,756.61	0000837200	Commercial Print
1045164	0000106537	General Printers	01-Jan-05	1,017.06	0000837200	Commercial Print
1045166	0000106537	General Printers	01-Jan-05	3,756.60	0000837200	Commercial Print
953874	100259	Canon Canada Inc. (Direct Sales)	01-Jan-05	0.01	0000825800	Office Supplies
808685	0000100259	Canon Canada Inc. (Direct Sales)	01-Jan-05	201.20	0000537000	Copiers
808682	0000100259	Canon Canada Inc. (Direct Sales)	01-Jan-05	1,341.37	0000537000	Copiers
808591	0000100259	Canon Canada Inc. (Direct Sales)	01-Jan-05	1,341.37	0000537000	Copiers
961088	0000100280	Canon Canada Inc.	01-Jan-05	37.53	0000825810	Office Equipment
797845	0000100807	Fisher Scientific Ltd.	01-Jan-05	58.95	0000537000	Testing Equipment
797773	0000100807	Fisher Scientific Ltd.	01-Jan-05	80.99	0000537000	Testing Equipment
802497	0000100848	Sigma-Aldrich Canada Ltd.	01-Jan-05	79.86	0000537000	Testing Equipment
802452	0000100848	Sigma-Aldrich Canada Ltd.	01-Jan-05	51.52	0000537000	Testing Equipment
802492	0000100848	Sigma-Aldrich Canada Ltd.	01-Jan-05	236.93	0000537000	Testing Equipment
802439	0000100848	Sigma-Aldrich Canada Ltd.	01-Jan-05	49.41	0000537000	Testing Equipment
802498	0000100848	Sigma-Aldrich Canada Ltd.	01-Jan-05	39.27	0000537000	Testing Equipment
814843	0000100817	Grand & Toy	01-Jan-05	18.36	0000537000	Office Supplies
814895	0000100817	Grand & Toy	01-Jan-05	3.97	0000537000	Office Supplies
814739	0000100817	Grand & Toy	01-Jan-05	8.23	0000537000	Office Supplies

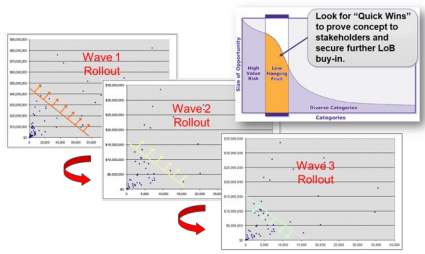
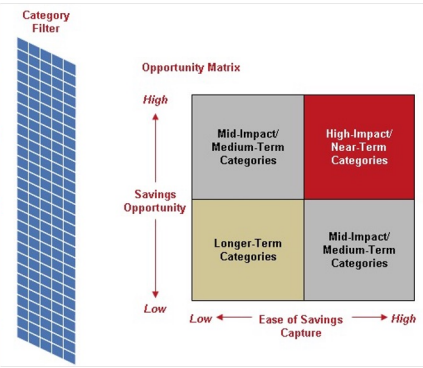
Categories provide a procurement-centric view of company spend

The Categorization process may leverage supplier reports, GL codes, and other spend data depending on what's available.



- A **SWICH** consultant works with your team to build an opportunity roadmap and prioritization for executing strategic sourcing and/or strategic contract negotiation to optimize your organization's vendor spend.

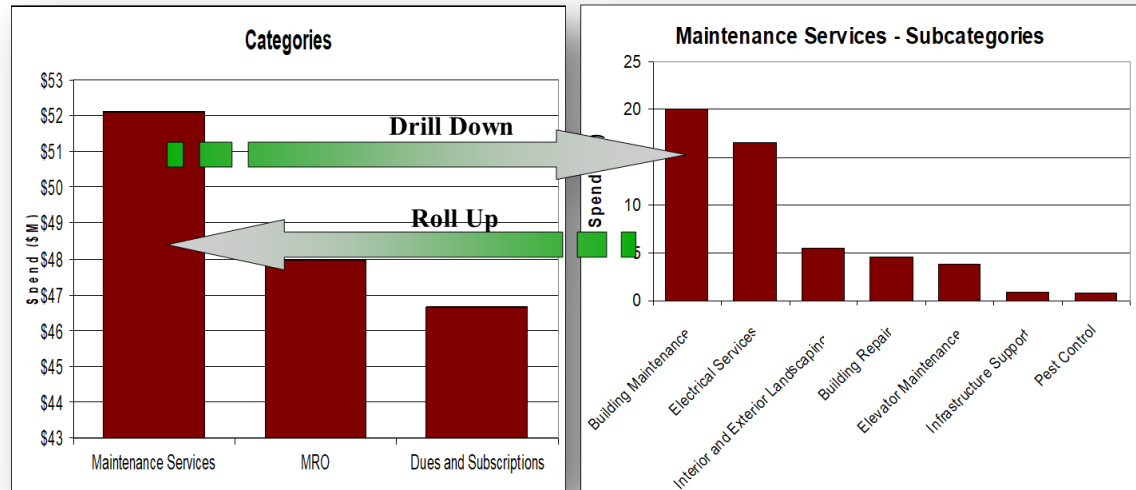
Evaluation Criteria	
Economic Value	<ul style="list-style-type: none"> Baseline spend Total cost of ownership Savings opportunity Project duration Resources required
Ease of Implementation	<ul style="list-style-type: none"> Strategic importance Product complexity Logistical complexity
Vendor-Specific	<ul style="list-style-type: none"> Viable alternative vendors in the market Use of customized specifications Service level/quality Strategic relationship
Client-Specific	<ul style="list-style-type: none"> Availability and quality of data Unique procurement regulations Local vendor preference programs Switching costs Potential disruption to operations Ability to enforce compliance "Political" considerations
Contracts	<ul style="list-style-type: none"> Existence of contract Termination penalty Contract renewal cycle Recently sourced



HPP Spend Analysis Service - Overview



- Spend Analysis is a **9-Step Process**, executed in **2 Phases**, focused on identification of opportunities for cost savings by drilling down to analyze key details in your supply contracts then rolling-up data to provide further insight into what your money is spent on.
- Spend Analysis provides a comprehensive view of external costs by filtering data using various criteria to build an opportunity roadmap and prioritization for executing strategic sourcing to optimize your spend.



HPP Spend Analysis – 9 Steps in 2 Phases



PHASE 1

Spend and Vendor Analysis

1

Extract, validate, aggregate 12-36 month expenditure data

2

Normalize vendor names and aggregate duplicate entries

3

Classify transactions into unique commodity categories based on combination of GL codes and vendor names

4

Segregate purchased and non-purchased expenses

5

Create spend analysis reports to support procurement efforts

6

Classify purchased expense categories into “high potential,” “potentially addressable,” and “unaddressable” spend categories

7

Estimate savings potential for high potential expense categories based on historic savings experience and market conditions

8

Prioritize savings opportunities based on savings potential and ease of capturing savings

9

Propose a short-list of spending categories for inclusion in a strategic sourcing pilot

PHASE 2

Opportunity Assessment

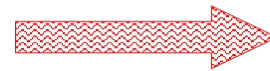
Spend Analysis Phase 1: Data Gathering



- Data is collected from various sources including GL files, invoices, and contracts.
- Data cleansing and normalization is often needed to make sense and create consistency in the data for accurate reporting and decision making.
- Data is then mapped to the proper procurement category for further analysis.

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808581	0000100259	Canon Canada Inc.(Direct Sales)	01-Jan-05	1,341.37	0000537000
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Categories provide a procurement-centric view of company spend



The Categorization process may leverage supplier reports, GL codes, and other spend data depending on what's available.

Category
Computer Hardware
Computer Hardware
Computer Hardware
Commercial Print
Commercial Print
Commercial Print
Office Supplies
Copiers
Copiers
Copiers
Office Equipment
Testing Equipment
Testing Equipment
Testing Equipment
Testing Equipment
Testing Equipment
Testing Equipment
Testing Equipment
Office Supplies
Office Supplies
Office Supplies

Spend Analysis Phase 1: Data Gathering



- High potential categories are identified and potential savings quantified.
 - Anticipated \$ savings for the *high potential categories* can be estimated based on historical experience in sourcing the categories and relevant industry benchmarks.
- Analyzing the supply base that accounts for the spend in categories can help identify savings and/or quality improvement opportunities.

High degree of “fragmentation” indicated by large number of vendors across category.

Baseline Spending and Savings Estimates

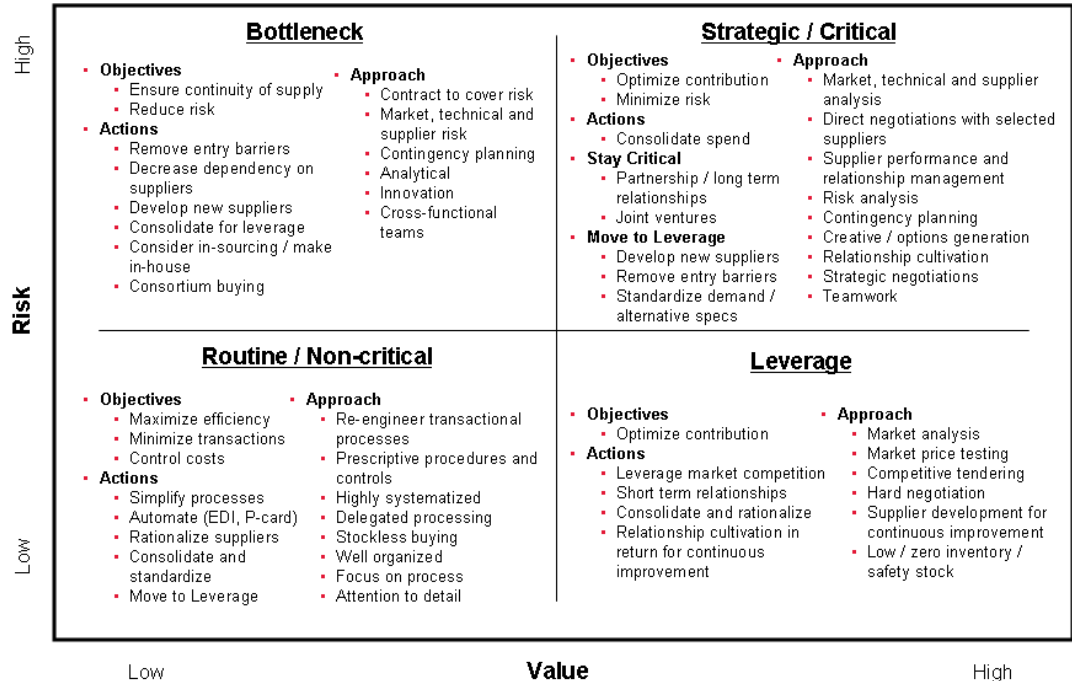
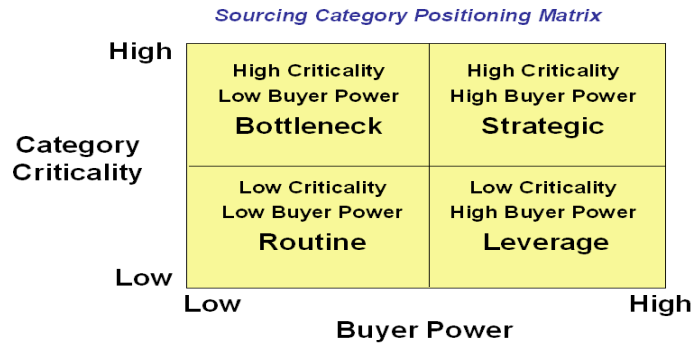
Category	Total Spend (\$)	Projected Savings Range (%)		Projected Savings Range (\$)	
		Low (%)	High (%)	Low (\$)	High (\$)
Lab Equipment & Supplies	\$91,715,000	6%	11%	\$5,503,000	\$10,089,000
Computer Hardware	82,414,000	9%	19%	7,417,000	15,659,000
Furniture and Furnishings	46,835,000	15%	20%	6,833,000	9,175,000
MRO	41,246,000	5%	10%	2,062,000	4,125,000
Telecom	31,640,000	10%	15%	3,164,000	4,746,000
Direct Mail/Commercial Print	28,356,000	20%	25%	5,671,000	7,089,000
Office Supplies	19,391,000	19%	24%	3,684,000	4,654,000
Copiers	18,152,000	13%	18%	2,360,000	3,267,000
Other Office Equipment	15,327,000	7%	12%	1,073,000	1,839,000
Custodial/Janitorial Supplies	9,285,000	8%	13%	743,000	1,207,000
Uniforms/Accessories/Other Instruments	5,068,000	14%	19%	710,000	963,000
PC Peripherals	3,131,000	16%	21%	501,000	658,000
TOTAL	\$392,560,000	10%	16%	\$39,721,000	\$63,467,000

Category	Total Spend (\$)	Total Num of Vendo	Total Number of Vendors within 80% of Spend
Travel	52	5,800	375
Publishers	61	2,500	31
Lab Equipment & Supplies	92	1,700	120
Facilities – Maintenance Services	48	1000	100
Dues and Subscriptions	47	950	50
Computer Software – Distributed	21	760	98
Computer Hardware	82	750	10
Direct Mail/Commercial Print	29	610	85
Business Consulting	41	600	105
Telecomm Equipment	4	580	6
Other Marketing	10	550	45
Advertising Agency	10	500	40

Spend Analysis Phase 1: Vendor Analysis



- HPP categorizes suppliers into four groups: the aim typically is to deepen relationships with a limited number of strategic suppliers to create added-value for both parties.



Spend Analysis Phase 2: Opportunities



- An Opportunity Roadmap is developed that features a roll-out of pilot projects focused on maximizing savings and ease of implementation.

Evaluation Criteria

Economic Value

- Baseline spend
- Total cost of ownership
- Savings opportunity
- Project duration
- Resources required

Ease of Implementation

- Strategic importance
- Product complexity
- Logistical complexity

Vendor-Specific

- Viable alternative vendors in the market
- Use of customized specifications
- Service level/quality
- Strategic relationship

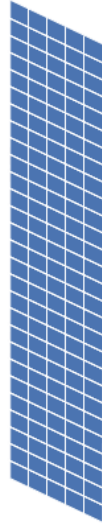
Client-Specific

- Availability and quality of data
- Unique procurement regulations
- Local vendor preference programs
- Switching costs
- Potential disruption to operations
- Ability to enforce compliance
- "Political" considerations

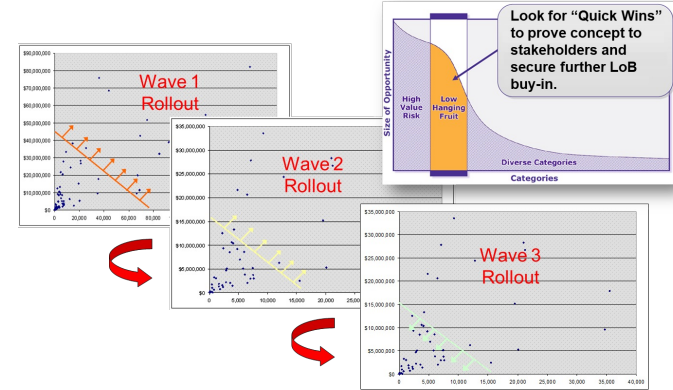
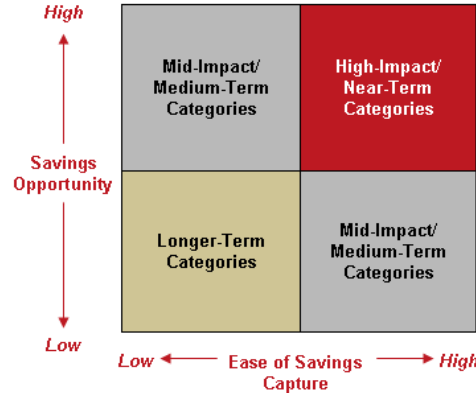
Contracts

- Existence of contract
- Termination penalty
- Contract renewal cycle
- Recently sourced

Category Filter



Opportunity Matrix



Spend Analysis Phase 2: Opportunities



- A financial analysis model is built comparing projected current state to future state with the proposed / possible efficiencies.

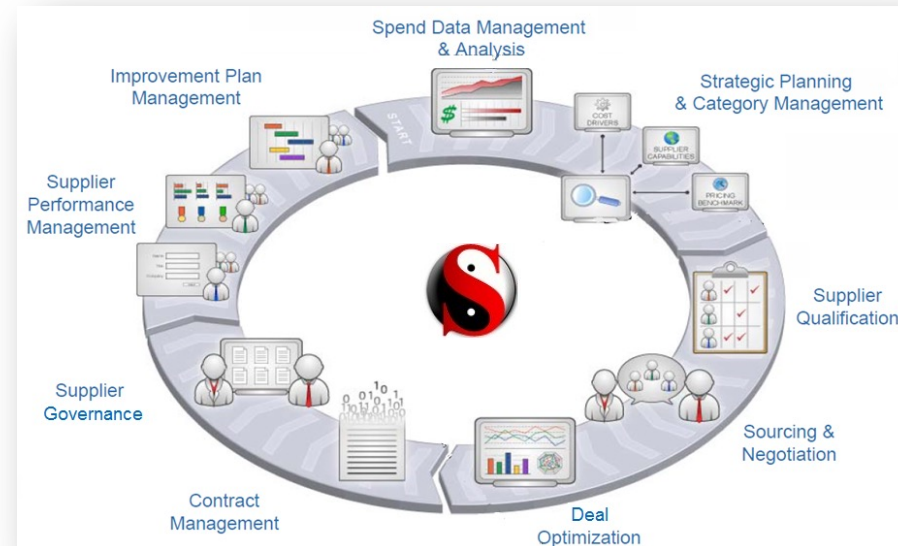
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High Performance Procurement Service Example

High Performance Procurement Engagement

- **Leveraging HPP will drive the following benefits:**
 - Optimize spend through analysis and strategic sourcing to deliver maximum value;
 - Risk mitigation by applying effective insight during due diligence.
 - Visibility of spend and quality performance (benchmarking).
 - Alignment with business priorities and best practices.
 - Improved service delivery.
 - Cost control.
- **HPP pays for itself.**
 - i. Start with an initial 2-3 month Spend Analysis project to identify targets.
 - ii. Confirm strategy and prioritization.
 - iii. Execute! (with all improvements measured and reported).



Spend Analysis Example: Ph 1 – Raw Data



1	A	B	C	D	E	F	G	H
1	fiscyr	fiscper	idvend		TEXTVEN	IDEVNDG	IDINVC	AMTINVTOT
60188	2018	11.4308	UPS002	UPS Canada		CSCEFT	0000A30053488	49.3
60189	2018	11.4312	UPS002	UPS Canada		CSCEFT	0000A301V7478	20.78
60190	2018	11.4315	UPS002	UPS Canada		CSCEFT	0000A301V7488	20.66
60191	2018	11.4319	UPS002	UPS Canada		CSCEFT	0000A30232488	48.67
60192	2018	11.4322	UPS002	UPS Canada		CSCEFT	0000A30238478	51.73
60193	2018	11.4326	UPS002	UPS Canada		CSCEFT	0000A30536478	48.52
60194	2018	11.4329	UPS002	UPS Canada		CSCEFT	0000A305Y4458	54.24
60195	2018	11.4333	UPS002	UPS Canada		CSCEFT	0000A30V94488	451.43
60196	2018	11.4336	UPS002	UPS Canada		CSCEFT	0000A30Y18478	61.49
60197	2018	11.434	UPS002	UPS Canada		CSCEFT	0000A30Y18488	23.06
60198	2018	11.4343	UPS002	UPS Canada		CSCEFT	0000A8706W488	94.92
60199	2018	11.4347	UPS002	UPS Canada		CSCEFT	0000EY8548488	95.75
60200	2018	11.435	UPS002	UPS Canada		CSCEFT	0000X03R00468	179.09
60201	2018	11.4354	UPS002	UPS Canada		CSCEFT	0000X03R00478	211.97
60202	2018	11.4357	UPS002	UPS Canada		CSCEFT	0000X03R00488	152.11
60203	2018	11.4361	UPS002	UPS Canada		CSCEFT	5039426448	33.62
60204	2018	11.4364	URB008	Urban Meister		CSCEFT	DEC 1-18-RENT	2878.36
60205	2018	11.4368	VAL002	Valley Alarms Ltd.		CSCEFT	49791	220
60206	2018	11.4371	VAL005	Valley Wildcats Hockey Club		CSCEFT	2018-1110	750
60207	2018	11.4375	VAL009	Valacta Inc.		CSCEFT	2079901	630
60208	2018	11.4378	VAN004	Van Houtte Coffee Services Inc.		CSCEFT	21101092-2019	221.75
60209	2018	11.4382	VAN004	Van Houtte Coffee Services Inc.		CSCEFT	21101163-2019	207.5
60210	2018	11.4385	VAN004	Van Houtte Coffee Services Inc.		CSCEFT	21670390-2019	34.95
60211	2018	11.4389	VAN004	Van Houtte Coffee Services Inc.		CSCEFT	61210076-2019	207.88
60212	2018	11.4392	VAN004	Van Houtte Coffee Services Inc.		CSCEFT	61210095-2019	31
60213	2018	11.4396	VAN004	Van Houtte Coffee Services Inc.		CSCEFT	61315083-2019	91.64
60214	2018	11.4399	VAN004	Van Houtte Coffee Services Inc.		CSCEFT	61514968-2019	208.84
60215	2018	11.4403	VAN004	Van Houtte Coffee Services Inc.		CSCEFT	62012373-2019	170
60216	2018	11.4406	VAN017	Van-Isle Personnel Ltd.		CSCEFT	DEC 1-18-RENT	5282.11
60217	2018	11.441	VOI001	Voila Cleaning Services Ltd.		LLPVEN	1173	67.29
60218	2018	11.4413	WAL002	Walk-On Dust Control		CSCEFT	2533840	28.5
60219	2018	11.4417	WAR003	Warneck Rathgeber & Company		CSCEFT	DEC 1-18-RENT	850
60220	2018	11.442	WAR004	Warwood Office Equipment (Edmonton) Ltd.		CSCEFT	167977	251
60221	2018	11.4424	WAR004	Warwood Office Equipment (Edmonton) Ltd.		CSCEFT	167998	251
60222	2018	11.4427	WAR005	Warth & Klein Grant Thornton AG		LLPWIR	2018-12-05ADJ	23.97
60223	2018	11.4431	WAR005	Warth & Klein Grant Thornton AG		LLPWIR	2018-30053	9035
60224	2018	11.4434	WES039	West Edmonton Mall Property Inc.		CSCEFT	DEC 1-18-RENT	4000
60225	2018	11.4438	WHI002	White Star Laundry Limited		CSCEFT	DEC 1-18-RENT	900
60226	2018	11.4441	WOL001	Wolters Kluwer Canada Limited		CSCEFT	2661024	30.95
60227	2018	11.4445	WOL001	Wolters Kluwer Canada Limited		CSCEFT	2661680	51.95
60228	2018	11.4448	WYA001	Wyatt Image Solutions Inc		CSCEFT	265781	56.06
60229	2018	11.4452	XER002	Xero (NZ) Ltd.		CSCUSD	IN-1210831	1246.66
60230	2018	11.4455	XER002	Xero (NZ) Ltd.		CSCUSD	IN-1212011	189.89
60231	2018	11.4459	YAR001	Yarmouth and Area Chamber of Commerce		CSCEFT	207	245
60232	2018	11.4462	YEQ001	Y Equities Inc.		CSCEFT	DEC 1-18-PARKING	3700
60233	2018	11.4466	YOU007	Youth Emergency Shelter Society of Edmonton		CSCEFT	12/3/2018	10000

- Raw data pull (12 mths.) reveals:
 - Total funds outflow to “vendors” = **\$94.7M**
 - Total Invoices = **30,425**
 - Total vendors = **2,795**
- Initial filtering produced 3 main buckets indicating the likelihood and/or effort required to address spend (“yes/no/tbd”).

Spend Analysis Example: Ph 1 - Filtering



INV's	VENDORS	CATEGORY 1	CATEGORY 2	SPEND	Y/N/M
126	29	Marketing	Advertising - Signs	\$ 213,319	Y
968	72	Facilities	Cleaning	\$ 526,000	Y
78	23	Services	Consulting/Services - HR	\$ 255,700	Y
86	24	Services	Consulting/Services - IT	\$ 501,537	Y
90	14	Services	Consulting/Services - Media	\$ 265,881	Y
41	16	Services	Consulting/Services - Mgmt.	\$ 520,128	Y
164	20	Services	Consulting/Services - MISC	\$ 541,868	Y
65	15	Services	Consulting/Services - MISC	\$ 89,623	Y
185	23	Services	Consulting/Services - Mktg.	\$ 607,510	Y
19	10	Services	Consulting/Services - RE	\$ 22,959	Y
2,969	40	Facilities	Courier	\$ 454,846	Y
2,358	120	Facilities	F&B	\$ 817,587	Y
737	13	Services	IT Services / Prods	\$ 2,457,640	Y
434	63	Services	Legal Services	\$ 2,882,010	Y
138	24	HR	Moving & Storage	\$ 179,578	Y
413	114	Facilities	Office Maintenance	\$ 1,304,455	Y
55	10	Facilities	Office Products - AV	\$ 302,572	Y
357	39	Facilities	Office Products - Furn.	\$ 1,130,256	Y
83	9	IT	Office Products - IT	\$ 606,112	Y
698	23	Facilities	Office Products - Post & Prin.	\$ 1,166,641	Y
3,693	56	Facilities	Office Supplies	\$ 858,236	Y
467	54	Facilities	Printing Services	\$ 295,428	Y
179	27	Marketing	Promotional Products	\$ 251,877	Y
743	15	Facilities	Records Management	\$ 548,080	Y
129	14	Facilities	Sanitation	\$ 48,465	Y
215	50	Facilities	Security	\$ 60,626	Y
346	25	IT	Software - Acctg.	\$ 1,875,241	Y
152	27	IT	Software - IT	\$ 785,721	Y
128	25	IT	Software - Various	\$ 1,281,226	Y
705	24	HR	Staffing Services	\$ 1,850,776	Y
2,240	24	IT	Telco & Wireless	\$ 4,077,737	Y
34	5	HR	Temp Space	\$ 36,985	Y
12	4	HR	Training	\$ 163,088	Y
310	33	HR	Travel - Hotels	\$ 525,688	Y
308	38	HR	Travel - Various	\$ 246,344	Y
19,725	1122			\$ 27,751,740	Y

INV's	VENDORS	CATEGORY 1	CATEGORY 2	SPEND	Y/N/M
1,611	107	Facilities	Rent	\$ 19,886,744	M
126	6	HR	Benefits	\$ 5,616,463	M
490	76	Services	Consulting - Acctg.	\$ 2,761,226	M
495	131	Corporate	Activities	\$ 2,240,805	M
1,169	54	Marketing	Advertising - Media	\$ 2,068,142	M
41	6	Corporate	Insurance	\$ 1,091,233	M
221	27	Services	Subscriptions	\$ 772,585	M
113	33	HR	Health	\$ 526,079	M
316	2	Marketing	Publications	\$ 339,412	M
428	84	TBD	Unidentifieds	\$ 241,460	M
489	22	Facilities	Utilities	\$ 216,195	M
22	16	Marketing	Media	\$ 151,886	M
43	4	HR	Parking	\$ 143,528	M
196	69	HR	Meals	\$ 84,742	M
84	36	Facilities	Photography	\$ 67,845	M
91	7	HR	Travel	\$ 27,403	M
89	18	Facilities	Flowers	\$ 19,802	M
7	5	Corporate	Gifts	\$ 7,500	M
48	1	Corporate	P-Card	\$ 6,108	M
6,079	704			\$ 36,269,156	M

INV's	VENDORS	CATEGORY 1	CATEGORY 2	SPEND	Y/N/M
840	47	Corporate	Cross-charges	\$ 14,030,430	N
1,780	143	HR	Contractors - GT	\$ 5,480,584	N
57	9	Finance	Banking	\$ 3,753,821	N
373	51	Corporate	Taxes/Fees	\$ 3,566,622	N
624	276	Corporate	Memberships	\$ 1,513,737	N
114	2	Corporate	Client Refunds	\$ 550,874	N
164	104	Corporate	Sports Activities	\$ 499,210	N
429	297	Corporate	Donations	\$ 384,038	N
55	2	Corporate	Client	\$ 306,833	N
67	8	Corporate	Internal	\$ 291,323	N
59	5	Corporate	Government Fees	\$ 167,384	N
59	25	HR	Tuition	\$ 132,832	N
4,621	969			\$ 30,677,688	N

Spend Analysis Example: Ph 2 - Opportunities



INV's	VENDORS	CATEGORY 1	CATEGORY 2	SPEND	Y/N/M
968	72	Facilities	Cleaning	\$ 526,000	Y
19	10	Services	Consulting/Services - RE	\$ 22,959	Y
2,969	40	Facilities	Courier	\$ 454,846	Y
2,358	120	Facilities	F&B	\$ 817,587	Y
413	114	Facilities	Office Maintenance	\$ 1,304,455	Y
55	10	Facilities	Office Products - AV	\$ 302,572	Y
357	39	Facilities	Office Products - Furn.	\$ 1,130,256	Y
698	23	Facilities	Office Products - Post & Prin.	\$ 1,166,641	Y
3,693	56	Facilities	Office Supplies	\$ 858,236	Y
467	54	Facilities	Printing Services	\$ 295,428	Y
743	15	Facilities	Records Management	\$ 548,080	Y
129	14	Facilities	Sanitation	\$ 48,465	Y
215	50	Facilities	Security	\$ 60,626	Y
346	25	IT	Software - Acctg.	\$ 1,875,241	Y
152	27	IT	Software - IT	\$ 785,721	Y
128	25	IT	Software - Various	\$ 1,281,226	Y
2,240	24	IT	Telco & Wireless	\$ 4,077,737	Y
86	24	IT	Consulting/Services - IT	\$ 501,537	Y
737	13	IT	IT Services / Prods	\$ 2,457,640	Y
83	9	IT	Office Products - IT	\$ 606,112	Y
15,950	718			\$ 15,556,076	Y
1,611	107	Facilities	Rent	\$ 19,886,744	M
489	22	Facilities	Utilities	\$ 216,195	M
84	36	Facilities	Photography	\$ 67,845	M
89	18	Facilities	Flowers	\$ 19,802	M
2,273	183			\$ 20,190,586	M

- Strategic Procurement Initiatives priority list:
 1. Network and wireless
 2. National Office Supplies RFP
 3. Managed Print Services RFP
- Next steps would include:
 - i. deep dive into existing contracts.
 - ii. feedback sessions with key stakeholders.
 - iii. Build the “business case” to support the proposal.

Spend Analysis Example: Ph 2 - Strategy



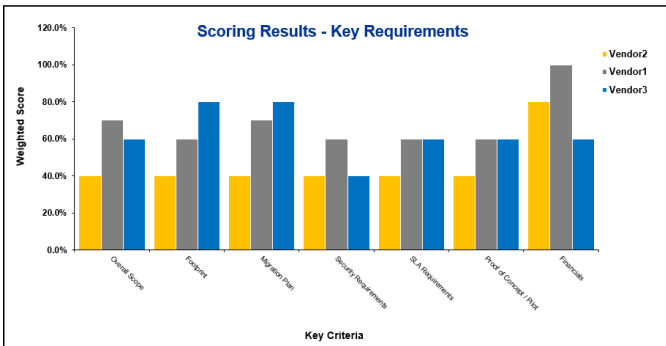
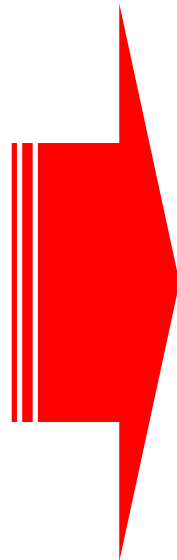
- Lack of a contract/vendor management strategy leads to inefficient buying (no consolidated power, contract visibility) and an increase in non-value add activities (e.g. invoice processing).
- Benefits of a Consolidation Strategy = Leveraging Brand Power, Best Practices, and **Economies of Scale**.
 - When the overall spend is relatively low, opportunities must be identified by aggregating the myriad small dollar transactions.
- Confirm 1-3 “strategic partners” in categories with high spend or importance to the business, actively manage them through robust contracts, and funnel a majority of the spend/projects to them while “developing” secondary vendors as a risk mitigation.

Execution! Spend Analysis to Strategic Sourcing to \$aving\$: Network Example



- The due diligence into the “Telco & Wireless” costs from the HPP Spend Analysis led to a business case that drove a complex “Next Generation Network” RFP that secured over \$1MM / year savings vs current state.

FACTOR	Vendor2	Vendor1	Vendor3
Overall Scope	40.0%	70.0%	60.0%
Footprint	40.0%	60.0%	80.0%
Migration Plan	40.0%	70.0%	80.0%
Security Requirements	40.0%	60.0%	40.0%
SLA Requirements	40.0%	60.0%	60.0%
Proof of Concept / Pilot	40.0%	60.0%	60.0%
Financials	80.0%	100.0%	60.0%
TOTAL SCORE	64.0%	96.0%	88.0%



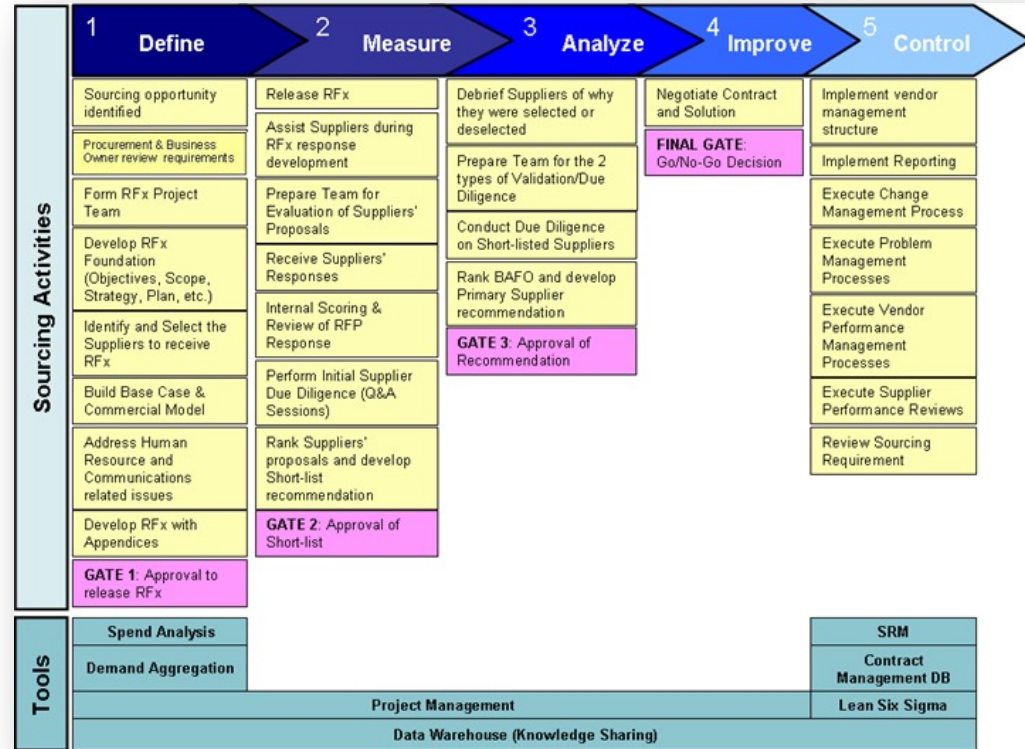
High Performance Procurement

Strategic Sourcing Service

HPP Strategic Sourcing



- HPP strategic sourcing is a rigorous methodology that seeks and identifies cost and quality performance improvements through a competitive process that assesses vendors with an attractive value advantage that can help your firm achieve financial or business goals.
- HPP strategic sourcing involves a defined, disciplined approach leveraging best practice tools and skills to execute procurement strategies that accrue immediate benefits to your firm by engaging suppliers in value-add contracts to drive future performance and innovation.



HPP Strategic Sourcing: Defined Methodology



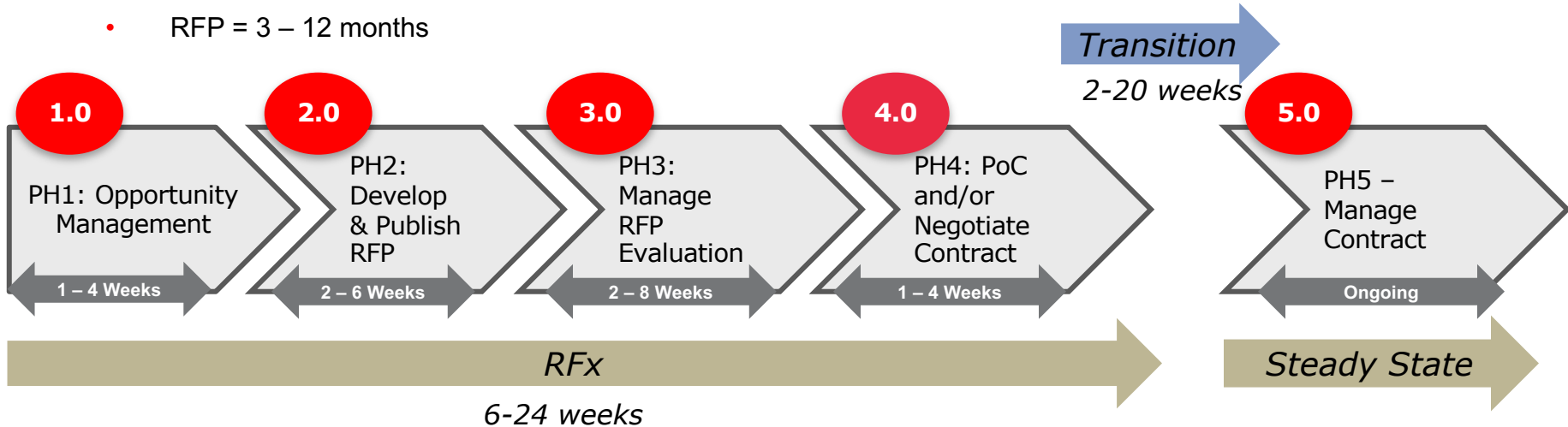
	PHASE 1 – Define	PHASE 2 – Measure	PHASE 3 – Analyze	PHASE 4 – Improve	PHASE 5 – Control
Objective	<ul style="list-style-type: none"> Understand business drivers that will influence sourcing strategy Explore product / service delivery models 	<ul style="list-style-type: none"> Finalize product / service specifications (incl. target performance metrics) Finalize / release RFP package to suppliers 	<ul style="list-style-type: none"> Select optimal product / service provider Refine transition plan Improve supplier response, contract terms Refine Business Case 	<ul style="list-style-type: none"> Finalize transition plan (Go/ No-Go decisions) Finalize Product / Service Delivery Model Finalize comprehensive Contract 	<ul style="list-style-type: none"> Execute implementation plan and track against milestones. Optimize supplier performance, manage change & mitigate risk during contract Develop end of term strategy
Key Activities	<ul style="list-style-type: none"> Understand business drivers/ needs Confirm Milestones Initiate business case Understand current performance metrics and product / service specs (process and technology) Conduct initial supplier / market assessment Conduct preliminary risk assessment Propose initial sourcing strategy / approach to market 	<ul style="list-style-type: none"> Describe product / service delivery requirements (specs) Refine business / base case through Scenario / Sensitivity testing, cost modeling, etc. Conduct thorough market scan / internal relationship checks Build out target operating model (retained org, governance framework, SLA management, accountabilities, process / operations integration) Prepare suppliers / Publish RFX process 	<ul style="list-style-type: none"> Respond to Vendor Queries Evaluate RFP Solution Responses (including Vendor Presentations) Perform cultural assessment (both parties) Analyze solution pricing and update business / base case assessment Develop preliminary implementation plan, governance model and roles / responsibilities Prepare to negotiate contract (initial discussions, assessment) 	<ul style="list-style-type: none"> Contract negotiation Review Transition readiness Confirm process/ technology handoffs Confirm Governance model (people/ process/ tech) Finalize retained organization plan (if applicable) Finalize communication, risk and compliance plans / programs Confirm transition performance / vendor payment linked to milestones 	<ul style="list-style-type: none"> Launch / Follow established governance processes Continuously evaluate effectiveness of governance structure and stakeholder relationships Ensure tracking mechanisms for continuous improvement and innovation are sustained Establish periodic checkpoint for business strategy and service delivery alignment Ongoing tracking of benefits realization Manage risk/ regulatory requirements Monitor supply market Implement "End of Term" strategy
Key Outputs	<ul style="list-style-type: none"> Business Needs / Requirement Review Preliminary business case Sourcing Strategy Recommendation (hi-level) Executive Summary PPT 	<ul style="list-style-type: none"> Refined business case Supplier / market assessment Final RFP package with required Schedules Initial Evaluation Approach Executive Summary PPT 	<ul style="list-style-type: none"> Short-list of Preferred suppliers Due Diligence Plan Preliminary transition/ implementation plan Draft operating model Exec Summary PPT 	<ul style="list-style-type: none"> Fully Executed Contract OR Ratified "No Go" Decision Refined transition/ implementation plan Final operational and governance plan (people/ process/ tech) Approval Documents 	<ul style="list-style-type: none"> Product / Service delivery model that meets the business goals Satisfactory risk and compliance Continuous Performance Improvements (SLA) End of term decision

Ongoing throughout Strategic Sourcing lifecycle: Business case, Risk Management, Communication and Change/Project management

HPP Strategic Sourcing Process Timeline



- HPP employs project management fundamentals for RFx execution to ensure business milestones are achieved and KPIs are met or exceeded.
- Timelines below are a baseline. Actual duration can vary based on project complexity e.g.:
 - RFQ = ~ 1 month;
 - RFP = 3 – 12 months



HPP Tools & Templates



Existing material can be customized for Clients.

Request for Proposal: RFP #12345

Proposers must complete this form using the format presented within this form and use the same numbering system. Insert follow-up requests following this question. Provide a search/defined as necessary to demonstrate that the Proposer understands and can fulfill the requirements. Responses should reflect, where applicable, the Proposer's overall approach and the Proposer's experience in delivering the identified approach.

1. Executive Summary
Provide an executive summary that clearly outlines Proposer's overall approach to servicing the CLIENT's account. Where appropriate, provide graphics that clearly demonstrate the overall account structure, which facilitates the Proposal Program to Self-Perform will be self-performed, where Subcontractors will be utilized and how the service providers will cover across the Region(s). This should be an overview. Proposers will be asked to respond explicitly to each of the functional delivery strategies in the Work Plan.

Technical & Business

2. General Requirements

- 2.1 Complete Form "A" - Proposal Profile.
- 2.2 Identify any services the Proposer is currently delivering to CLIENT in the addition to identifying any potential conflict of interest in the Proposal Substances Form - Form "B".
- 2.3 Provide a brief overview of the Proposer's mission, vision and values.

Examples – Format of Required Responses

Ref #	CLIENT Requirements	Comply (Y/N)	Supplier Response
11	The Supplier will describe its solution to meet the Problem/Management requirements in the Attachment.		Supplier ABC will implement a robust Problem Management system and will use a suite of commercial software tools from Vendor 123 to track, manage, and report ABC will also.
22	The Supplier's responsibilities include:		
33	1. Tracking and managing projects:	Y	
		N	Performing proactive and reactive troubleshooting to effectively identify and resolve problems.

Statement of Work

APPENDIX X PERFORMANCE MANAGEMENT
CLIENT's Approach to Performance Management
CLIENT's approach to performance management is founded on the application of consistent measures across all contributors to the delivery of services. The basic building blocks of the performance management framework measures and key stakeholders are as follows:

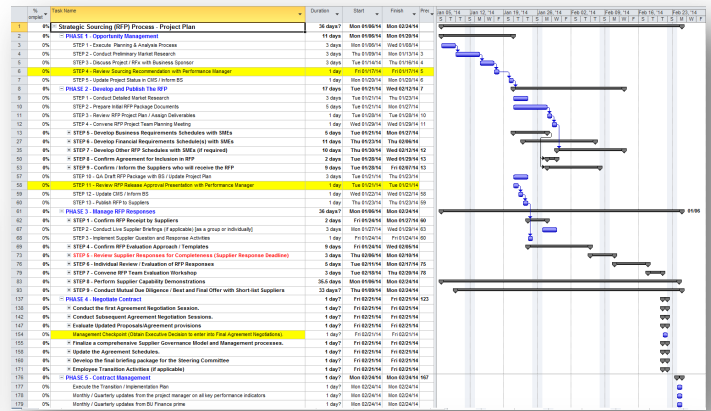
- KPIs - KPIs are statistical measures of performance used to assess achievement of performance expectations. KPIs have been established and set out for each component of the Assignment i.e. Database Hosting, Managed Services, Database Services and Service Desk Services.
- CLIENT's Contractor Performance Policy - This policy is CLIENT's suppliers. The Vendor will be evaluated using CLIENT's Contractor Performance Policy, which is available in detail below.

The chain of performance management includes the following components:

- CLIENT's Annual Corporate Goals
 - Established annually by CLIENT's Board of Directors
 - KPIs and associated improvement goals for the Information Technology (IT) Department are included in CLIENT's annual corporate goals
 - CLIENT staff members' annual performance incentives are paid out based on achievement of annual corporate goals
- CLIENT Business and Individual Annual Goals for Information Technology (IT)
 - Created directly from annual corporate goals and based on services delivery objectives at the CLIENT business unit level
 - CLIENT team member annual performance incentives is paid based on achievement of annual corporate goals
- Vendor KPIs
 - KPIs are created directly from Information Technology (IT) business unit goals and are reflective of the performance standard required from the Information Technology (IT) Department for CLIENT to meet its goals
 - Fifteen (15%) of the Vendor's Fees for the entire Assignment is at risk against meeting specified KPI thresholds.

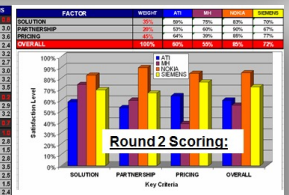
Pricing Forms

Type & Quantity of Resources	PHASE 1			PHASE 2			PHASE 3			PHASE 4			PHASE 5		
	Cost/Rate	Quantity	Sub-Total	Cost/Rate	Quantity	Sub-Total	Cost/Rate	Quantity	Sub-Total	Cost/Rate	Quantity	Sub-Total	Cost/Rate	Quantity	Sub-Total
Project Manager	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Software Licenses	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Infrastructure Resources	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Data Migration Resources	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
IT Resources	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Database Administrator	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Training Resources	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Other Resource (Supplier to identify)	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Other Resource (Supplier to identify)	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
etc.	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Total Resource Costs	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Additional Materials / Services	Cost	Quantity	Sub-Total	Cost	Quantity	Sub-Total	Cost	Quantity	Sub-Total	Cost	Quantity	Sub-Total	Cost	Quantity	Sub-Total
Item A	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Item B	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
etc.	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Total Other Fees	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00	\$0.00		\$0.00
Total Charges	PH1		PH2		PH3		PH4		PH5	PH6		PH7		PH8	



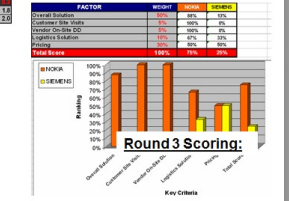
Round 1 Scoring:

FACTOR	WHS	ALCATEL	ATI	LEICOR	MH	SIEMENS
Application & Core Services	10%	3.7	3.8	2.9	4.0	3.8
Infrastructure & Network Solutions	15%	3.4	3.5	2.8	3.6	3.5
Integration & IT Ecosystems	15%	3.1	3.2	2.5	4.3	4.2
Cloud & Managed Services	15%	3.2	3.3	2.7	3.4	3.3
Infrastructure & Access Mgmt	15%	2.4	2.5	2.4	3.4	3.3
Infrastructure & Network Solutions	15%	2.4	2.5	2.4	3.4	3.3
Infrastructure & Network Solutions	15%	2.4	2.5	2.4	3.4	3.3
Infrastructure & Network Solutions	15%	2.4	2.5	2.4	3.4	3.3
Infrastructure & Network Solutions	15%	2.4	2.5	2.4	3.4	3.3

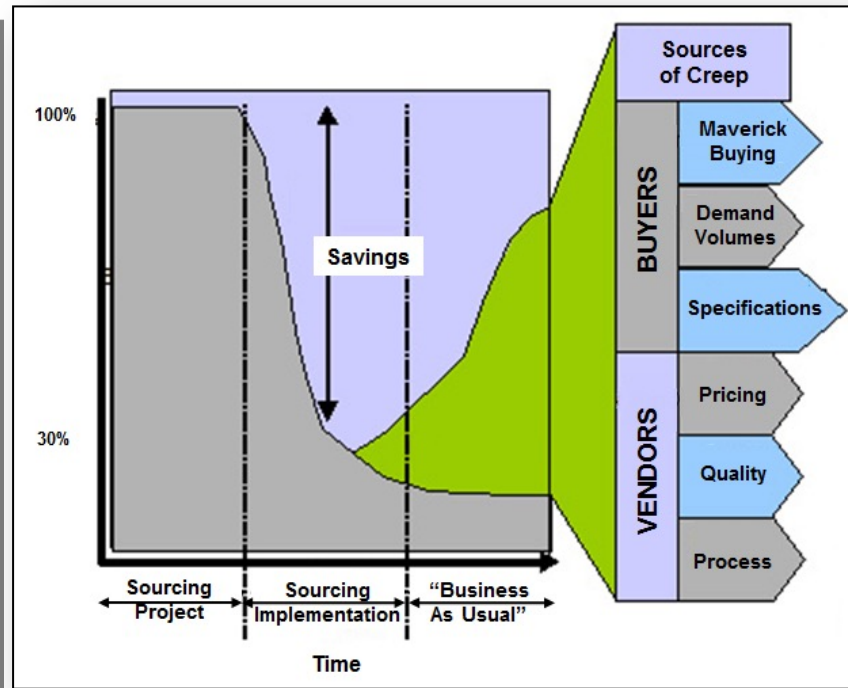


Round 2 Scoring:

FACTOR	WHS	ALCATEL	ATI	LEICOR	MH	SIEMENS
Application & Core Services	10%	3.7	3.8	2.9	4.0	3.8
Infrastructure & Network Solutions	15%	3.4	3.5	2.8	3.6	3.5
Integration & IT Ecosystems	15%	3.1	3.2	2.5	4.3	4.2
Cloud & Managed Services	15%	3.2	3.3	2.7	3.4	3.3
Infrastructure & Access Mgmt	15%	2.4	2.5	2.4	3.4	3.3
Infrastructure & Network Solutions	15%	2.4	2.5	2.4	3.4	3.3
Infrastructure & Network Solutions	15%	2.4	2.5	2.4	3.4	3.3
Infrastructure & Network Solutions	15%	2.4	2.5	2.4	3.4	3.3
Infrastructure & Network Solutions	15%	2.4	2.5	2.4	3.4	3.3



- The original value proposition from outsourcing erodes over time primarily due to scope/deal “creep”, even when monitoring and compliance processes are in place.
- Once a vendor relationship is fully embedded in the business, it is very difficult to negotiate new requirements, such as improved service levels or more favourable pricing, from a supplier account team always looking to increase revenue and improve their margins.

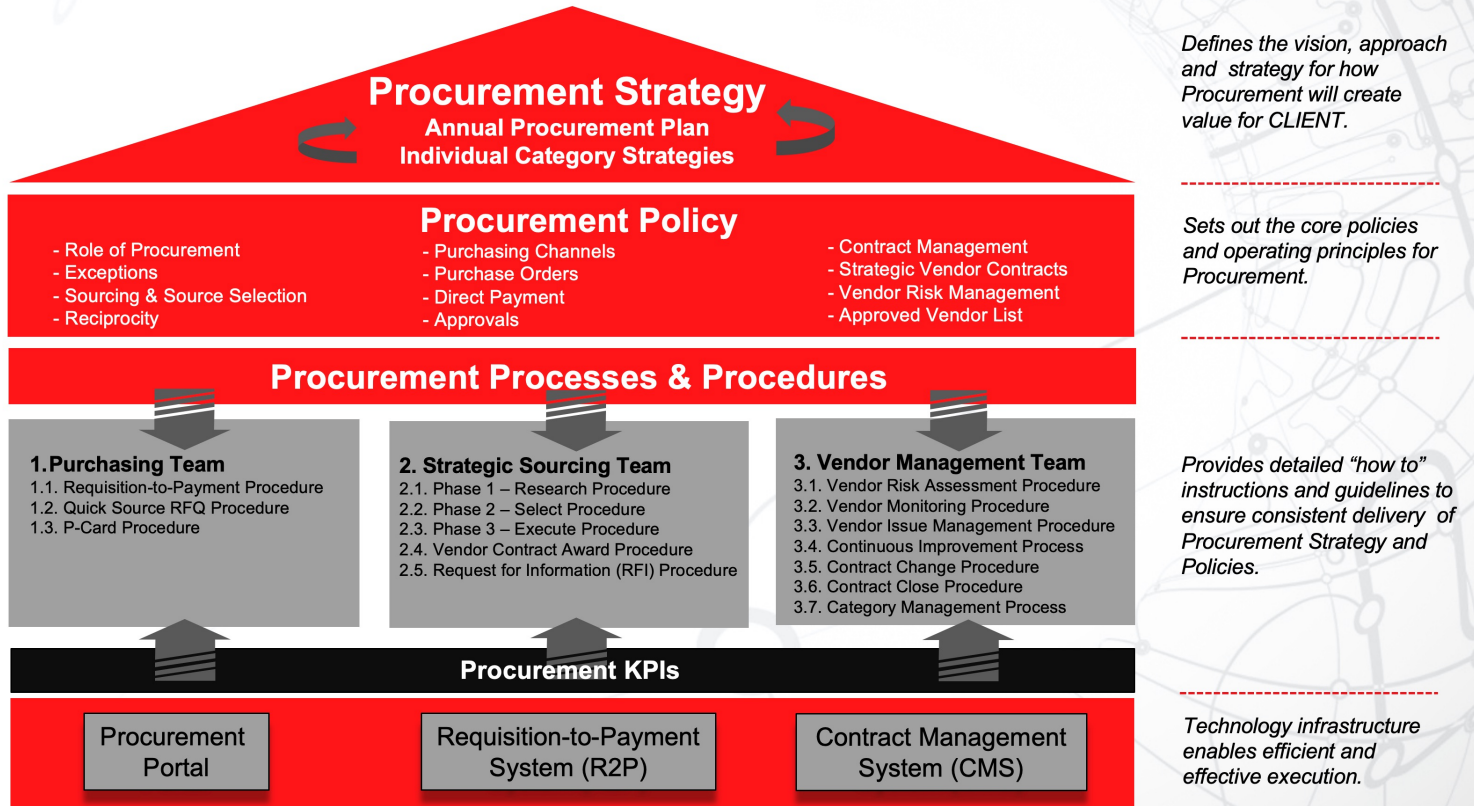


- A **SWICH consultant** can help you develop a negotiation business case, strategy, and project plan; then support management of the contract issues list, updated through dynamic negotiation sessions with the vendor(s), and facilitate ongoing executive updates.
- **An investment in contract negotiations will pay for itself in the form of improved TCO, reduced negotiation cycle time, and drive higher, sustained vendor performance.**

Procurement Policy & Procedure Development



SWICH Procurement Policy & Procedures drives compliance and is consistent with best-in-class organizations to optimize supply chain value and quality.



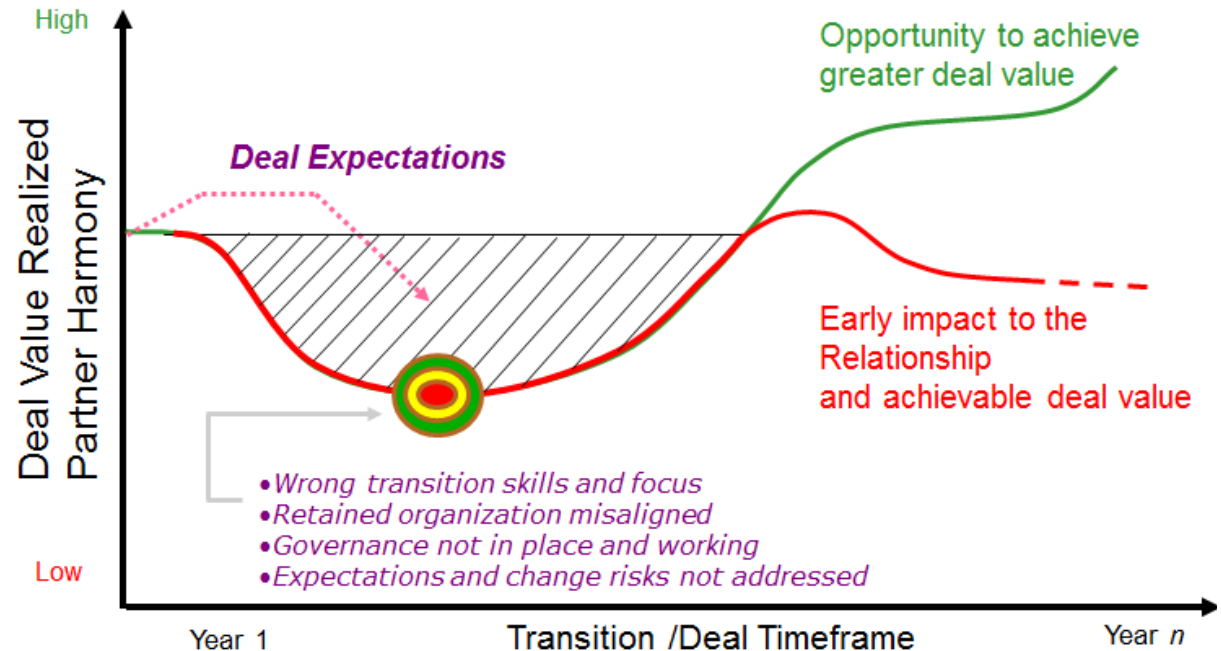
High Performance Vendor Management (HPVM) Service

The True Value of Outsourcing...Often Not Realized!



Outsourcing Value is Frequently Not Realized Because the Approach to Transition, Relationship Governance and ongoing Service Quality Management is Inappropriate.

- More Projects are cancelled during Transition than during Steady State!*
- More than 50% of Outsourcing Efforts “Fail” due to ineffective Transition.**





High Performance Vendor Management (HPVM)

Once a decision is made to outsource, planning must begin immediately to build strong supplier-client relationships through effective Vendor Management.

- **What is High Performance Procurement (HPP) and Vendor Management (HPVM)?**
 - SWICH HPP and HPVM includes the processes, tools, and structures to help customers and suppliers establish a relationship that enables both parties to fulfill their contractual obligations and deliver optimal outcomes.
 - Regardless of deal size or scope, effective HPP & HPVM includes building the competency to manage strategic supplier to make the relationship as successful as possible while creating & sustaining value for both parties.
- **What does it take to implement effective HPVM?**
 - HPVM should be performed by capable team members with specific skills, experience and good business judgment and who may or may not come from areas that currently have a stake in the process.
- **What is a High Performance Vendor (a.k.a. Strategic Supplier)?**
 - A High Performance vendor is a supplier whose current or potential relationship is sufficiently important to merit significant attention, prior to and throughout the life of a requirement (or contract).



High Performance Vendor Management: Overview

- HPVM consists of resources, activities, processes and tools that enable a CLIENT to align vendor delivery to their strategic objectives, performance to their requirements, and track progress towards meeting their goals.
 - HPVM is a disciplined and planned approach to managing vendor performance in a transparent and objective fashion through a specific and meaningful set of measures that enables CLIENT and LoBs to:
 - control costs;
 - Improve performance;
 - manage risk; and
 - drive continuous improvement.
 - HPVM allows the business to strategically align resources, processes and systems (involving vendors) with their business priorities and maximize opportunities over the life of the contract; also improving relationships with key vendors.
-

Purpose of High Performance Vendor Management



Multiple, complex vendor relationships drive the need for stronger buy-side control, ownership and accountability of performance, governance and quality management

Risk Mitigation



Value Realization

- Meet contractual obligations
- Ensure effective quality management
- Rapid resolution of issues
- Ensure management control
- Provide consistent direction to vendor(s)

- Ensure delivery at expected quality
- Sustain Best Customer pricing
- Manage Demand
- Leverage and focus vendors' capabilities
- Optimize through standardization
- Institutionalize process improvement



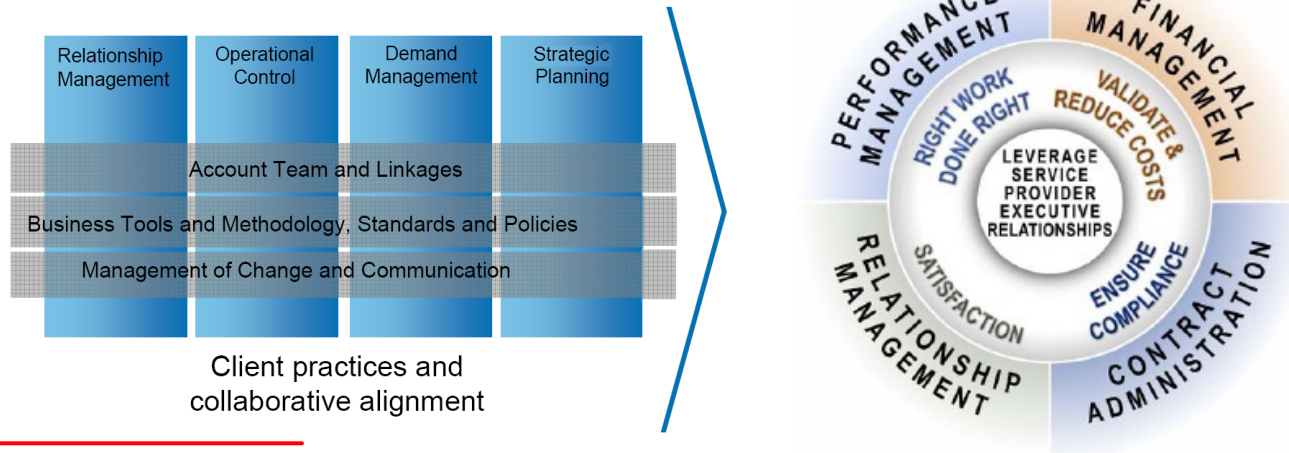
Importance of HPVM

- The application of HPVM to key vendor relationships ensures delivery of services at agreed upon quality and price are realized.
 - Applying HPVM Best Practices helps LoBs identify potential issues, consider their root cause, and take the appropriate measures to expedite resolution.
 - The recommended approach is to implement a standardized, robust and consistent HPVM framework and discipline across the firm to support each LoB in managing their strategic vendor relationships.
 - HPVM should be applied to all Categories and be geared specifically to the individual LoB needs, based on the criticality and complexity of the services.
 - the specific level of HPVM implemented should be based on the vendor's prioritization.
 - Vendor relationships that are core and critical to the LoB's operational performance should be the priority, with others to follow.
-



What Does HPVM Achieve?

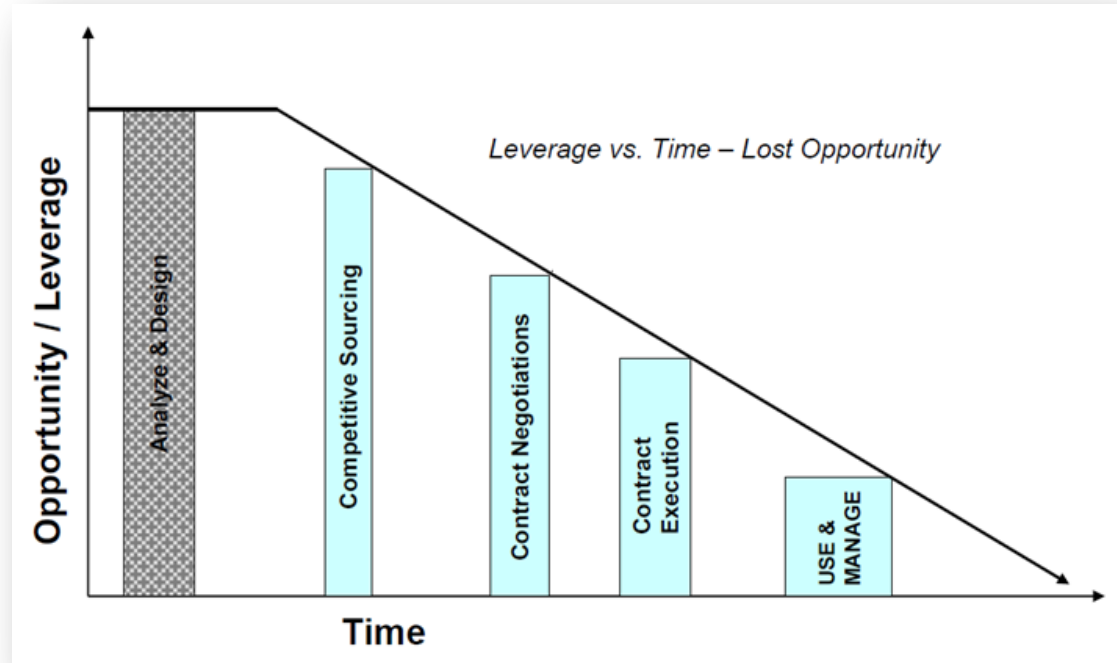
- Provides direction and focus to ensure the CLIENT and vendor(s) achieve world-class performance.
- Instills a “voice of the customer” to ensure that the services delivered are as required and to provide leadership to the quality management process.
- Facilitates conflict resolution and continuous improvement by providing a defined structure and process for dealing with opportunities and issues in a timely and effective manner.





HPVM Deployment: Introduce Early

- Once the agreement is executed, it is very difficult to negotiate new requirements (such as service levels) since vendors typically price the deal based on the initial scope and requirements included in the procurement document (e.g. RFP).





Approach to HPVM Deployment

- **For new deals:**
 - It is optimal that performance metrics and measurements be established upfront once the requirements have been defined and prior to going to market.
 - Then identify which governance model is most appropriate to manage the vendor relationship and from there, incorporate it into the agreement as a standard term and ensure it's agreed upon (and staffed) by both parties.
 - This approach sets the right precedent for how the vendor relationship will be managed post-execution and facilitates the mutually agreed upon HPVM at the onset of the relationship.
 - **For existing deals:**
 - Vendor analysis (categorization and prioritization), governance, and performance monitoring mechanisms should be reviewed as a key part of the annual due diligence process typically conducted on any business deal.
 - Appropriate measures should be taken to address any gaps or variances identified between the existing vendor management practices used by the LoB and what is recommended through the HPVM approach.
 - All of this is part of a sound Category Management approach implemented and performed by procurement.
-



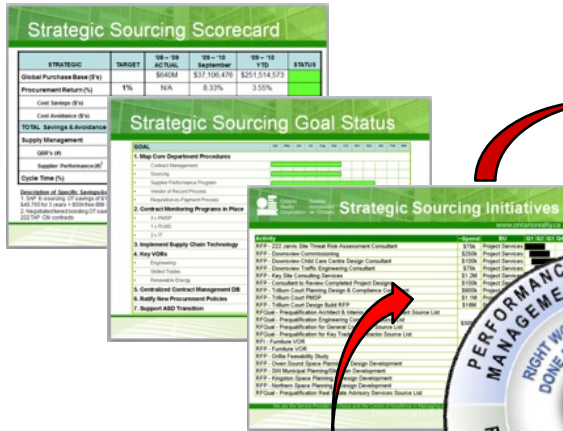
Implementing HPVM

- Deploying HPVM best practices in a formal, structured manner are a necessary and invaluable means of optimizing external spend through the contract lifecycle.
 - **Step 1. High Performance Procurement:** Segment vendors according to business importance and potential spend (“Category Management”) then develop and execute an effective procurement strategy (“Annual Procurement Plan”) including robust sourcing activities. Leverage advanced tools and templates in the sourcing and contract negotiation to measure the effectiveness and efficiency of vendor outputs such as service deliverables and product delivery.
 - **Step 2. HPVM Governance Models:** Monitor, Assess and Manage vendors’ progress toward achieving targets and goals through implementing and sustaining effective relationship “Governance” models.
 - **Step 3. HPVM Continuous Improvement:** Focus on improving vendors’ performance delivering products and/or services through the life of the contract by seeking opportunities to improve outputs (e.g. efficiency gains such as automation, reduction in time/steps/resource and/or cost savings). These efforts can seek "incremental" improvement over time or "breakthrough" improvement all at once.
-

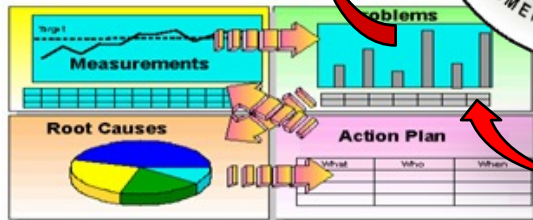
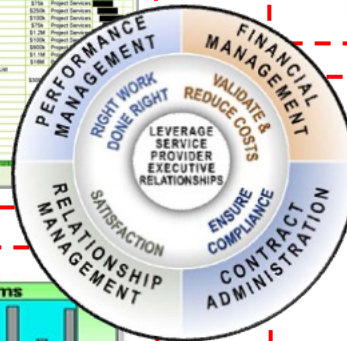
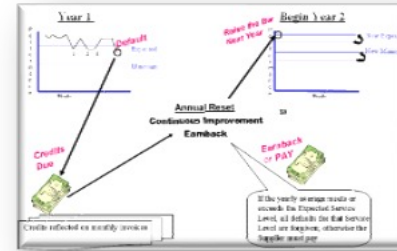
High Performance Vendor Management: Framework



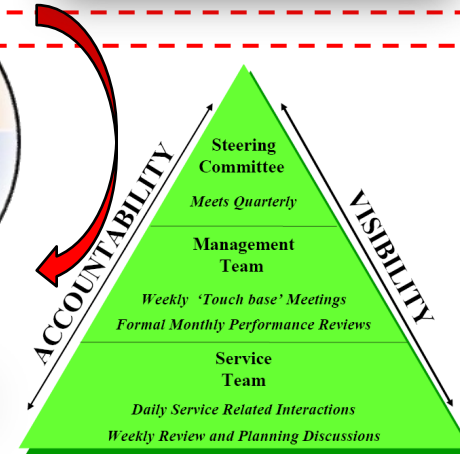
1. High Performance Procurement



2. HPP Tools & Templates



4. HPVM Quality Management



3. HPVM Governance Model

HPVM Supports and Enhances the CLIENT Mission



- HPVM allows CLIENT to be proactive in managing the supply base because quality vendors are fundamental to the success of CLIENT and, ultimately, lead to improved stakeholder satisfaction.
 - HPVM features an holistic approach to managing vendors including activities such as:
 - Providing timely feedback in key areas such as delivery, accuracy and quality
 - Conducting vendor performance audits when applicable
 - Working with vendors on quality improvement and cost reduction initiatives
 - By proactively managing vendor performance and periodically discussing improvement opportunities, CLIENT can realize the full benefits of products and services acquired.
 - Remember, CLIENT must be professional in all our dealings in the market and establish a dynamic where vendors want to do business with us again.
-

High Performance Procurement & Vendor Management



HPP & HPVM Training Program

Module 1 – High Performance Procurement (HPP)

1. HPP Introduction / Overview
2. Category Management and Annual Procurement Planning (executive-level strategy/presentations)
3. Strategic Sourcing Best Practices

Module 2 – High Performance Vendor Management (HPVM) Supplier Governance Models

1. Vendor Governance Models / Reporting Requirements
2. Service Level Agreement Models and Key Performance Indicators
3. Supplier Performance Program and Balanced Scorecard Models

Module 3 - High Performance Vendor Management (HPVM) Supplier Quality Management

1. Lean Six Sigma Fundamentals
2. Business Process Management Fundamentals
3. Facilitating Supplier Corrective Action / Continuous Improvement Workshops and Projects

HPVM Training Deliverables



- After HPVM Training Program completion, participants will have:
 1. Initial Vendor Segmentation and Spend Analysis from current supply base
 2. First drafts of Category Strategies for high priority categories
 3. Initial Annual Procurement Plan with Category Management Roadmap and Implementation Plan
 4. Initial HPVM Governance Models for Top 3 Vendors including suggested SLA and KPIs
 5. Familiarity with Quality Management concepts and facilitating brainstorming / continuous improvement initiative.
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High Performance Procurement & Vendor Management

HPP & HPVM Training Program

Module 1 – High Performance Procurement (HPP)

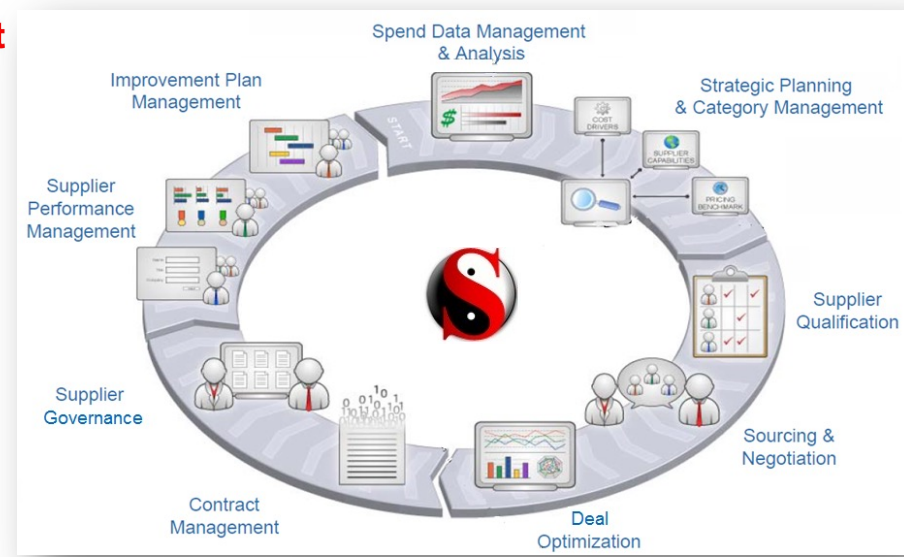
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1. Vendor Governance Models / Reporting Requirements
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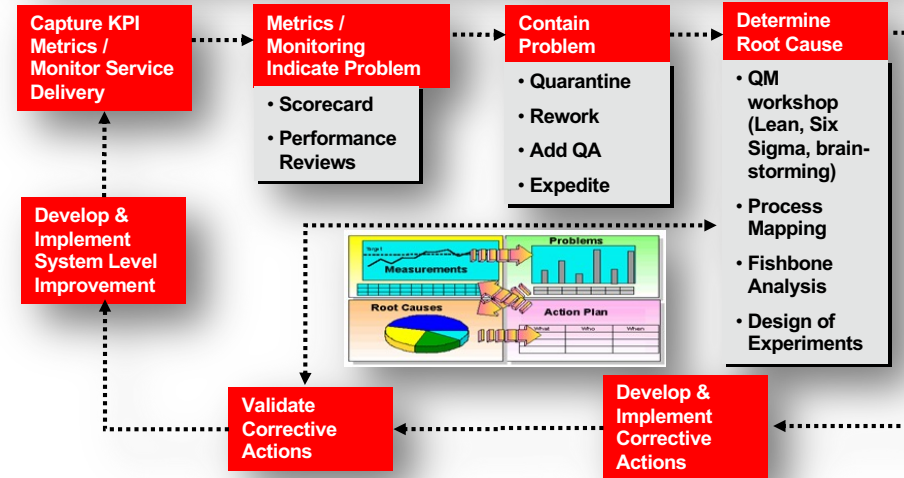
1. Lean Six Sigma Fundamentals
2. Business Process Management Fundamentals
3. Facilitating Supplier Corrective Action / Continuous Improvement Workshops and Projects



HPP and HPVM Training Program: Deliverables

- After HPP and HPVM Training Program completion, participants will be able to develop:

1. Initial Vendor Segmentation and Spend Analysis from current supply base
2. First drafts of Category Strategies for high priority categories
3. Initial Annual Procurement Plan with Category Management Roadmap and Implementation Plan
4. Initial HPVM Governance Models for Top 3 Vendors including suggested SLA and KPIs
5. Familiarity with Quality Management concepts and facilitating brainstorming / continuous improvement initiatives



High Performance Procurement

Conclusion

What Does High Performance Procurement Achieve?



Deploying advanced procurement and vendor management processes supported by effective people, tools, and training will ensure contract savings, quality, and risk mitigation are sustained.

- Effective and consistent application of HPP throughout the contract lifecycle, including the vendor/contract management stage, will drive the following benefits:
 - Optimization of sourcing, contracts and supplier relationships to deliver maximum value;
 - Risk mitigation by applying effective standards, oversight and due diligence;
 - Transparency into vendor performance and benchmarking against best practices;
 - Efficient allocation and use of time and resources;
 - Alignment with business priorities;
 - Improved service delivery;
 - Continuous improvement; and
 - Cost control.

