



## **SOURCING PROCESS**

**BY MARYNA TREPOVA**

### **Lesson No 1 – 7 Steps of Sourcing process**

Lesson one Sourcing Process 7 steps of the sourcing process. Let's discuss with you what is the sourcing process, how it works? Where does it start? And of course, how we can use it in our procurement activities. This instrument is very powerful and approach is very good. To understand how you need to research and choose supplier and how you need to work with business needs. First of all, please look at this slide and this picture and you will understand that sourcing process is not only tendering or bidding process, it starts much earlier and starts with the understanding the business needs. Understand the business needs is very important for sourcing because as I mentioned in previous courses, you need to know what to search, where to search and what really business need from you from procurement activities. And thus you will understand what should be in specification and tendering and bidding documents. So that is why understanding business needs is the first step in seven steps of sourcing process. Then when you understand and verify with your internal stakeholders and internal clients, you should go to developing the strategy and understand. of course, should you make by or outsource and organize your activity and tendering and bidding documents in proper way developing the Strategy of course, you can raise requisition and you can specify what you need and put it, for example, in your ERP system or in other system, which helps you support your activity in a smooth, transparent and electronic way. And only after this you try to source your suppliers. Sourcing suppliers includes documents. Preparation includes instrument, as I mentioned in previous course. And of course, sourcing starts with some activities, maybe sometimes collaboration, searching with the market, searching suppliers etc, And when you prepare everything, you start issuing documents, you start issuing RFQ, RFP and send invitation to the tender. It is very important part of sourcing process because you prepared for this part of sourcing activity, the better results you've got in there because sometimes preparation takes much more time, much more resources from you and your colleagues and other functions. To be sure that you put everything necessary in the documents that you prepared documents in a very good way. You include necessary code of conduct, for example, contracts, all formulas, all drawings, etc. Etc. Everything you need to provide your suppliers for

helping them to propose the best value and the best proposal for your business. And when you issuing these documents, you start the process of billing and tendering. We cover and discover what types of sourcing process you can approach and what are the advantages and disadvantages of these ways. And of course sourcing process includes negotiations with suppliers. It can be separate approach to sourcing and also you can include it with your other sourcing activities. And the end of this negotiation and tendering process is awarding the contract. As I mentioned, previous lectures and previous lessons, you can work one supplier or couple of suppliers with the contract and work with these contracts during some period. And of course, the final stage of sourcing process is also very important. It is SRM supplier relationship management and contract management. You need to evaluate how suppliers perform during the contract. Are you satisfied with this performance? Do they follow all KPIs you said in the contract? And of course it is a very important part of your activity, how you organize valuation, how you provide suppliers with feedback. Do you have data? Do you fix it in your, for example, ERP system or other systems? Can your colleagues work with this data and what are the next steps with suppliers, existing suppliers or next step with this contract or you want to change for other suppliers. You want to open the bid etc. So there are a lot of activities and there are a lot of instruments you can use and implement on the final stage of sourcing process. And how you can see it is not so easy approach as typically people thinking that it is only tendering, bidding process. It is pretty complicated, but if you invest time, if you invest resources into this process, you will be granted with very good results. Let's look for the sourcing process from the point of view, goals, frequency approaches and results, how it looks like and what we need to do. First of all, goal the goal in sourcing process is to reduce purchase costs for a given commodity, most often by selecting low cost suppliers through demand aggregations, competitive bidding and negotiation. This is the most popular of the biggest goal for sourcing and you need to understand it and to fix it in the beginning. When you identify needs and when you set the strategy frequency, periodic and project base triggered one and more years in the course of managing a commodity. What does it mean? You can use this sourcing approaches from the beginning until then, not so often but for preparing for the long way. And of course, when you set everything in place and prepare it very good. You just then support your P2P activity and your purchasing activity, but you cannot do it very often, especially when we are talking about time consuming and resource consuming Approach conducted via N step sourcing methodology, culminating in transition to renew supplier contract in the end of the sourcing process. As I said, you reward and granted with the contract one or a couple of suppliers and of course it is one of the final part of the sourcing process. You go through all steps to get in the end

contract with conditions which is acceptable for your business and which helps you to move your business and deliver company strategy. Results reduced contract pricing and other conditions, translating to actual realized savings, improving the bottom line. So the final stage, as I mentioned, to get the best conditions, the best terms of the contract and of course, reducing the price when you do very good your job in previous steps. When you very good. Analyze the market. Prepare all tendering documentation you will reduce the price. You will increase your opportunities for the business and you've got the best conditions you can any get comparing with other approaches so please concentrate in your sourcing process on the goal on the frequency, approaches and results and you will be successful. Stay with us. We will continue with other lessons.

