



Nine Top Reasons Procurements Fail

Despite industry's best efforts, our experience shows that over 70% of IT procurements (including outsourcings) fail to achieve their objectives as envisaged at the outset. This is true despite attempts to modernize and “professionalize” sourcing practices, project management and service delivery methods. Based on our analysis, the following 9 factors when applied incorrectly, will lead directly to project failure. When applied correctly, they create a win-win relationship that consistently delivers expected results as well as keeping both vendor and buyer aligned throughout the procurement life-cycle.

1. Internal Alignment – Get on the Same Page

With any large procurement, there are many internal stakeholders that must agree on critical issues prior to and during the procurement process. Creating a process to establish and maintain agreement among the various parties is critical to success. To do this, objectively evaluate the business conditions that give rise to the project and assess the probability of achieving the desired outcome. Articulate and quantify the expected benefits against anticipated costs and also the costs of no action. Articulate it in the form of a strategy document, a business case or a business plan.

Where dependencies exist, ensure alignment of the stakeholders' positions and interest with project objectives, priorities and implementation plans. This may require joint planning and information sharing sessions, workshops and briefings, or in some cases, establishment of integrated teams to ensure internal consensus on the nature and scope of the sourcing or procurement project. Failure to achieve a consensus among key stakeholders regarding expected benefits, scope and deliverables – even the process to be used – will cause project delays and in some cases complete project failure.

2. Minimize Assumptions – Eliminate Risk and the Unknown

All assumptions create project risk. Assumptions are by definition “unknowns”. Don't base your plans on “assumptions” that will be proven to be fallacies that distort your project risk profile right from the start. The greater the number of assumptions and their scope, the greater the risk of project failure. Whether you are sourcing a product, a service

or an integrated solution, sufficient time should be spent on identifying and clearly articulating the current baseline business requirements from a financial, functional and operational point of view, as well as all technical conditions and requirements. The key word here is baseline – defining the current state for which a

procurement project is designed to create positive change going forward.

We often see clients spending an excessive amount of time trying to “fix the future” – looking 3 or 10 years down the road and attempting to construct requirements, service levels and cost assumptions far into the future. The team must focus on defining the baseline

(what they know today) and the critical business benefits the project must achieve as well as the problems that must be fixed. The team should then rely on an alignment process to manage change moving forward. Failure to eliminate assumptions, not having a solid baseline and not allowing the vendors to collaborate with stakeholders to create the best solution is a recipe for disaster.

3. Cast a Wide Net

For most procurements, there are many vendors that may be able to satisfy the defined needs. Take the time to conduct an industry scan of the core capabilities of vendors and service providers with the primary focus on those that have new, innovative yet proven approaches that have been implemented in similar business environments.

An understanding of how these positive experiences can be transferred to your business environment needs to be created through an informative engagement process (IEP) with private sector organizations. A solid IEP process casts a wide net to ensure that all vendors that

might have good solutions are engaged. From among the larger group of vendors, use a qualification process that critically selects those that have the best potential solutions for your specific needs. Invite only those vendors to respond to a thorough RFP process to select the best available solution. Failure to conduct an in-depth Vendor/Partner/Service Provider IEP process limits an enterprise’s ability to fully understand the capabilities available from the market. This can lead to selecting a sub-optimal solution from a “known” vendor where a much better fit may be available from one that has not been included in the procurement process.

4. RFPs – the Right Tool for the Job

Never select a vendor without conducting a rigorous RFP process. An RFP is not just a list of requirements, it is the embodiment of a business strategy designed to meet your business objectives. If you want to attract top quality bids, you must have a top quality RFP. The proposals you receive are largely reflections of the RFP you write. Every RFP must include:

- a. Statement of Key Objectives and Priorities
- b. Strategy – how does this project /procurement fit within the overarching corporate objectives and plans

- c. Baseline environment – what are the current processes, technology, staffing, etc.
- d. Deliverables – what are the key deliverables as understood today
- e. Evaluation and Selection Plan – how proposals will be evaluated
- f. Statement of Requirements – ensure that each requirement is defined as a business need/benefit or problem to be solved
- g. Governance & Relationship Management Framework – how will the process be

conducted both during and after the RFP project

- h. Financial Model / Pricing Schedules – details of what the solution will cost

Without a solid RFP, there is little or no competitive pressure on vendors to create the

best business solution at the best price. Without an RFP, the acquisition process can only be unstructured, decisions will lack analytical objectivity and political/personal biases will be more prevalent. Many projects fail because they lack the rigor and discipline of a solid RFP process.

5. Invite Innovation – Be Non-Prescriptive

Most RFPs tend to be very prescriptive rather than focused on the business needs/problems that must be solved. RFPs often rigidly pre-define the processes, operating environment and service levels, even the technology platform and how they are to be delivered. Creating the best solution for a given business need must be a dynamic, collaborative venture between the buyer and provider. Neither one has all of the information necessary to create the best solution at the outset.

Buyers know their needs better than the vendors, and vendors know their solutions better than the buyers. Critically, both solutions and needs will change through the RFP process as both buyers and vendors come

to understand each other better. This creates an iterative, step-by-step process between the buyer and vendor, converging on the best solution solving the true business needs. Incentives should be provided (such as bonus evaluation points) promoting vendors to come forward with innovative and cost effective solutions. Assumptions should not be made at the outset that the real problem and best solution are understood.

A highly prescriptive process blocks this very valuable interaction between buyers and vendors. It forces buyers to select based on rigid, inflexible needs and vendors to bid solutions that could be made much better in a dynamic, interactive acquisition process.

6. Test Drive the Solution – Prove it Works

No one knows with certainty that a proposed solution will work in their own unique business environment. Many products are selected after a demo or lab test but then fail in the real operational environment. It is essential that you go beyond the usual evaluation (which should include demos at vendor sites and site visits). Then it is critical to engage a POS (Proof of Solution) process where the vendor must demonstrate the operational product/service in your unique environment.

Depending on the type of acquisition, you may want to conduct the parallel tests with the top 2 candidates and then select the top performer based on the outcome. POS focuses on the ability to solve the buyer's unique problems in their own working environment, as well as deliver a real life test of usability, performance, connectivity, communications and support. Assuming that a proposed solution will work in your unique business environment could be the worst assumption (risk) of the entire procurement process.

7. Create a 100% Solution

No vendor can meet 100% of all your needs. Bidders have strengths and weaknesses. In many cases, the selected bidder may score between 80-95%. Most public sector institutions are happy with 70-80% solutions. It is highly recommended that you leave yourself the option to negotiate with the selected vendor to bridge the gap between their proposal and your requirements. Many negotiation processes are one sided, designed

to be win-lose (a win to one party implies a loss to the other). It is essential that you use a collaborative negotiation process designed to break down barriers, create a long term working relationship and achieve mutually sustainable benefits – and go from an 80% to a 100% solution. Failure to do this leads to an ongoing confrontational, adversarial relationship where both parties lose in the long term.

8. The Delivery Team

Vendor selection is an intellectual, philosophical and analytical process. No change has actually occurred in a buyer's business environment until implementation occurs. The success of any implementation depends on getting the "A Team" and equipping them with a clear, concise, comprehensive deployment plan. When all is said and done, the team on the ground delivering the product or service makes all the difference.

The experience of the combined buyer/vendor team and its ability to communicate with each other, and get things done within their respective organizations is critical to success. The RFP must contain specific requirements to qualify the vendor in this area. Having a proven, highly qualified delivery team leader, managing a solid multi-disciplinary team, all working to a clear plan, is essential to a successful deployment.

9. Continuous Alignment – Work Together

The one constant in large procurements and deployments is that things change. The only way to manage constant change is through continuous alignment among all the parties involved in the process. The way to achieve and maintain alignment is through good organization, clear ongoing communication, comprehensive planning/reporting and creating an open honest dialogue among all parties. Projects often take years from inception to completion. Time, complexity and diverging

interests cause buyers and vendors – as well as individuals within each – to drift apart. They lose focus on the common goal and common vision of the best solution. If a clear, well structured organization, as well as process framework for relationship, service provision management and ongoing alignment is missing, then people will not work together effectively to create a successful and timely outcome. If they are not continually aligned, the project will fall apart.

This information is provided by the **RFPBlaster Sourcing Resources Center (SRC)**, a group consisting of SRS strategic sourcing and procurement principals and experts working in the field to improve acquisition practices and contract performance.