How to Create a Playbook for a Best-in-Class Supplier Lifecycle Management Program

**Russell Investments**
Jennifer Shepherd
Director Global Sourcing and Procurement
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Background – Russell Investments

› Russell Investments is a global asset manager that provides multi-asset solutions through our 5 world-class capabilities: capital market insights, portfolio construction, portfolio implementation, manager research and factor exposures.

› As of June 30, 2015, Russell Investments had approximately $265.8 billion in assets under management and works with 2,700+ institutional clients, independent distribution partners and individual investors globally.

› Headquartered in Seattle, Russell Investments has approximately 1,800 associates in 22 offices globally.

› Russell Investments’ Global Sourcing & Procurement (GSP) team has 30 associates responsible for ~$1 billion in spend.
What kinds of playbooks are we used to seeing?

**Football/Sports**
- Simple and easy to follow; easy for the coach to communicate
- Same consistent message to everyone on the team
- Easy for the coach to manage

**Pilot**
- Step by step standardized instructions from pre-flight to post-flight; ensures nothing is missed and everything is done in the correct order
- Pilots are able to step into a plane with a new crew and everybody will follow the same set of instructions

**Space Station**
- In the case of an emergency, allows people to react in an orderly manner to ensure all proper steps are taken correctly, in the correct order/sequence
- Allows those operating under significant stress a way to remain organized and carry out necessary steps
Objectives

› Background-why did we need a playbook
› How we got started
› Discuss the components of the playbook
› How we executed on the processes once documented
Do you have a problem to solve?

› Signs that your sourcing/supplier management organization needs a playbook:
  › Negative feedback from stakeholders:
    › Engaging sourcing/supplier management is too complex and confusing
    › Quality depends on who I work with
    › A lot of re-work and delay
  › Your team is confused about what they are expected to do
  › People try to apply best practices but find conflict or contradiction
  › Missing stakeholders: negotiate a good deal and discover nobody is using the product
Why did we implement a playbook?

› Higher expectation from the business units/enterprise
  › Scrutiny was high and we had one shot to prove our value
› Increased maturity of the Procurement organization
  › High level of stakeholder management
  › Ability to identify opportunities for demand reduction versus the old way of simple sourcing transactions
› Accelerated development of staff necessary (new people and existing team)
› Increased complexity of projects: we were moving from task oriented to solution based procurement
Benefits of having a Playbook

› One stop shop for training, both onboarding and ongoing
› Consistency among the team members in the delivery of service
› Quality delivery of service
› Opportunity to clearly define expectations, including control points
How did we develop the GSP Playbook?

› Benchmark best practices using ISM, Procurement Strategy Counsel/Corporate Executive Board, SIG

› Started with sticky notes on a board to create the components of strategic sourcing and SRM processes
  › Define the high level process:
    › Sourcing: engagement process, requirements gathering, sourcing and contracting
    › SRM: assigning a supplier tier, onboarding, annual and quarterly reviews
  › Within each process, there are sub-processes that identify steps
  › Created tool kits including Powerpoint templates, checklists, an evaluation spreadsheet to ensure consistent application
  › Built in control points for audit tracking purposes

› Implementation of the playbook
  › Multiple training sessions
  › Annual Playbook updates/refresh training

› Ongoing monitoring: periodic audits, manager sign-off/approval
How to get started

1. What kind of issues are you facing?
   a. People are not consistent in delivery
   b. Projects have increased complexity versus typical procurement (demand management, etc.)
   c. Stakeholders are dissatisfied
   d. People are in need of training
   e. Other

2. How is Procurement viewed by your organization?

3. In what direction do you want your Procurement organization to move?
   a. Transactional (PO’s, contracting, conduct RFX, etc.)
   b. Strategic (Change management and reengineering)
Components of the Sourcing Playbook

› Separate process details for each:
  › Engagement
  › Triage (contemplates what is in scope and what is not; what is subject to playbook and what is not)
  › Requirements gathering
  › Project kick-off
  › Conduct Sourcing
    › Quick Quote
    › eRFP
    › eAuction
  › Contracting
  › Implementation
  › Assigning a Supplier Tier
  › Transition from Sourcing to SRM

› Control Points
  › Manager approval of sourcing/project strategy
  › Contract approval form
End to End Sourcing Process (High Level)

Global Sourcing and Procurement Services (GSP) – Sourcing Process End to End

**Engagement**
- 1. GSP Identified Project

**Sourcing**
- 2. GSP Triage
- 3. Requirements gathering
- 4. Sourcing Strategy Approved by GSP Manager (Yes/No)
- 5. Conduct Sourcing Process
- 6. Develop Sourcing Recommendation
- 7. Complete Supplier selection

**Contracting**
- 8. Contracting
- 9. Implementing and Close out

**Implementation**
- 10. Onboard the Supplier into the SRM Program

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GSP Library

› Project Kick-off deck
› Requirements Checklist
› RFP letters (invite, notice to move forward, etc.)
  › Category templates created in Ariba
› Preliminary Research Checklist
› Recommendation template
› Invoice Reconciliation audit template
› Quarterly Business Review template
1. **Analysis Phase**

*Analysis Phase*

Your primary objective is: To understand and to gather as much information. Try to be a detective, to make no assumption, and to challenge all assumptions. You must not figure out the solution (not how you are going to source or construct the event).

1.1. Understand the product or service like an expert
   1.1.1. Staple yourself to the product or service, understand how it is being used, how it is made, how we consume it
   1.1.2. Challenge the defined scope/specs.
   1.1.3. Can it be different, what if we don’t have any constraints
   1.1.4. Make a list of all the assumptions that the business/sourcing are making
   1.1.5. Understand all assumptions that may impact competition
   1.1.6. Understand the service component (SLAs, delivery requirements, support, helpdesk, lead-time, warranty, disposal etc...)
   1.1.7. What happens if the service or product is not delivered (impact to business etc.?)

1.2. History
   1.2.1. Is the product or service new?
   1.2.2. When was the last time this was sourced?
   1.2.3. Are there any performance issues with the service?
   1.2.4. Alternatives
      1.2.4.1. Can you identify 2 alternative ways to get the product or service?

1.3. To understand the supplier base: Think like a supplier
   1.3.1. Gather supplier information from Sourcing & LOB
      1.3.1.1. Conduct your own supplier search (Web, associations, union, catalog, competitor to the incumbent, diversity suppliers)
      1.3.1.2. Look for big suppliers, small suppliers, vertically integrated
      1.3.1.3. Make sure you have a good mixture of suppliers
      1.3.1.4. Which suppliers will be hungry / desperate? Will the incumbent defend its position?
      1.3.1.5. Is there any certification or prequalification requirements for suppliers?
      1.3.1.6. Is geography or logistics a factor in supplier choice?

1.4. To understand the baseline:
   1.4.1. How much $ spend via AP, AA? If possible over last 2-3 years. Minimum 1 year/12 months
   1.4.2. How much $ spend via supplier/Sourcing/LOB
Project Kick-off

› Used at onset of GSP involvement to level set with stakeholders
  › Largely a stakeholder management tool
  › Defines: background, scope, and next steps

› Two versions:
  › Full engagement (GSP is engaged at the beginning of the project)
    › Allows us to fully develop and understand the requirements and in turn, consider demand management and/or reengineering
  › Late engagement (GSP is engaged at some time later than requirements gathering)
    › Decisions have already been made, and it may be too late for demand management/reengineering
Project Governance

Roles

- Sponsor project across Company X
- Provide strategic direction
- Hold steering committee and project teams accountable for results
- Review and approve proposed solutions
- Participate in monthly review meeting

- Ensure engagement and progress of project including communication
- Drive requirements development, supplier evaluation process, and provider review process/evaluation criteria
- Obtain review/approval by exec sponsor and on key decision points (outlined on slide 7, GSP Project Methodology and Timing)
- Conduct bi-weekly review meetings

- Provide/act as SMEs to define requirements, supplier evaluations, and evaluation criteria
- Review and approve requirements as part of process
- Respond to supplier questions; participate in any supplier workshops (pre/post-response)
- Evaluate supplier responses as part of the selection process
Components of the Supplier Relationship Management Playbook

› Central versus de-centralized SRM (collaboration with business)

› Process details for:
  › Assigning a Supplier tier
  › Transition from sourcing to SRM
  › Onboarding
  › Use the issue log
  › Conduct annual and quarterly reviews
  › Invoice reconciliation guidelines
End to End Supplier Management Process

Sourcing Playbook/SRM Collaboration:
- Occurs after Supplier Selection, but before Contract Completion
- Section 470: Assigning a Supplier Tier
- Section 610: Transition from Sourcing to SRM
- Section 470 and 610 are located in the Sourcing Playbook

On boarding:
- Section 100: On-boarding a New Supplier

Supplier Management:
- Section 200: Using the Issue Log
- Section 300: Annual and Quarterly Reviews
- Section 400: Annual Strategic Planning Session

Supplier Maintenance:
- Section 600: Invoice Reconciliation Guidelines

Appendix:
- Best Practices
Contact Information

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