AGILE SOURCING

An update from the GSA Working Group

London
January 31, 2024
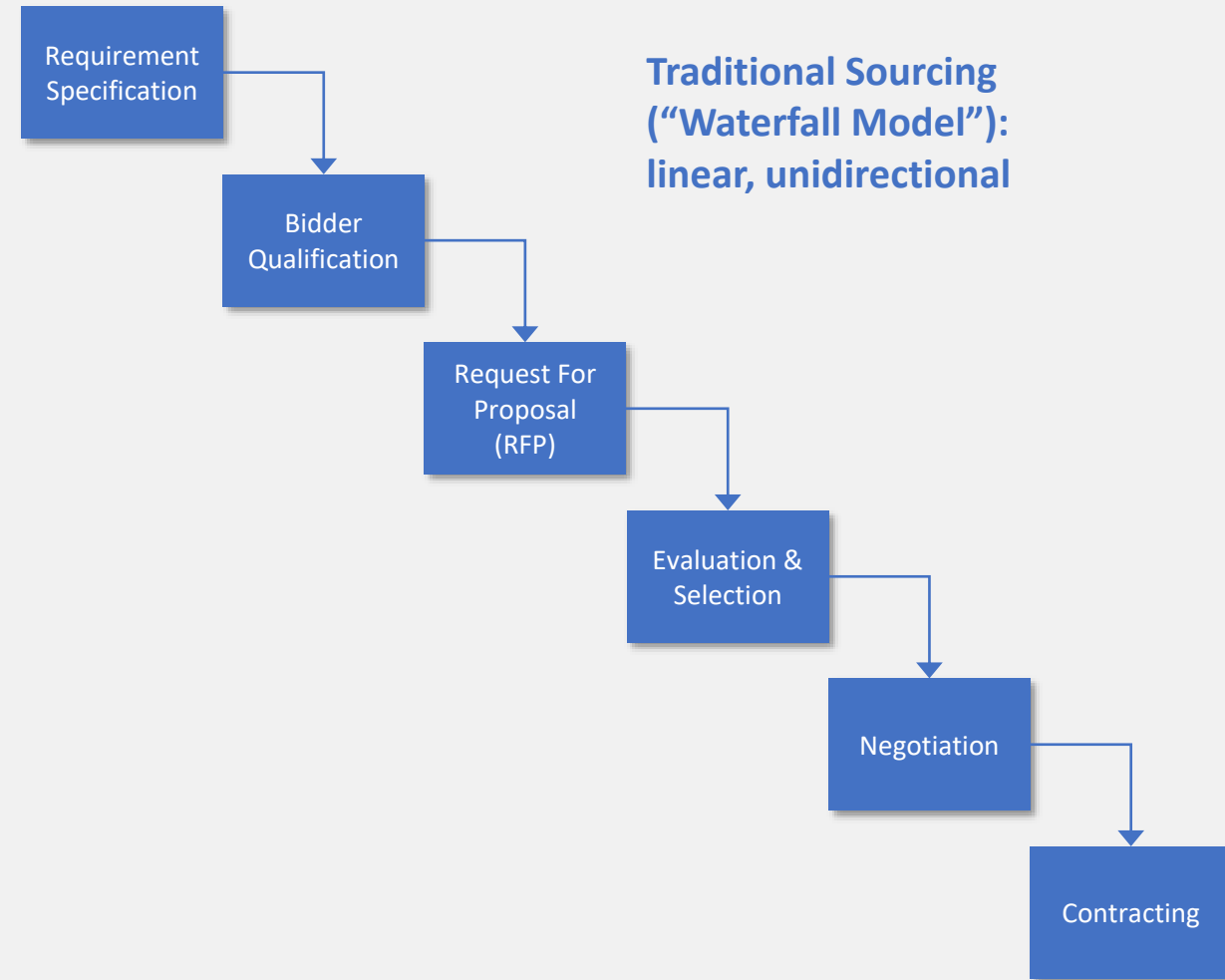
NEO GROUP: BEYOND ADVICE TO OUTCOMES, SINCE 1999
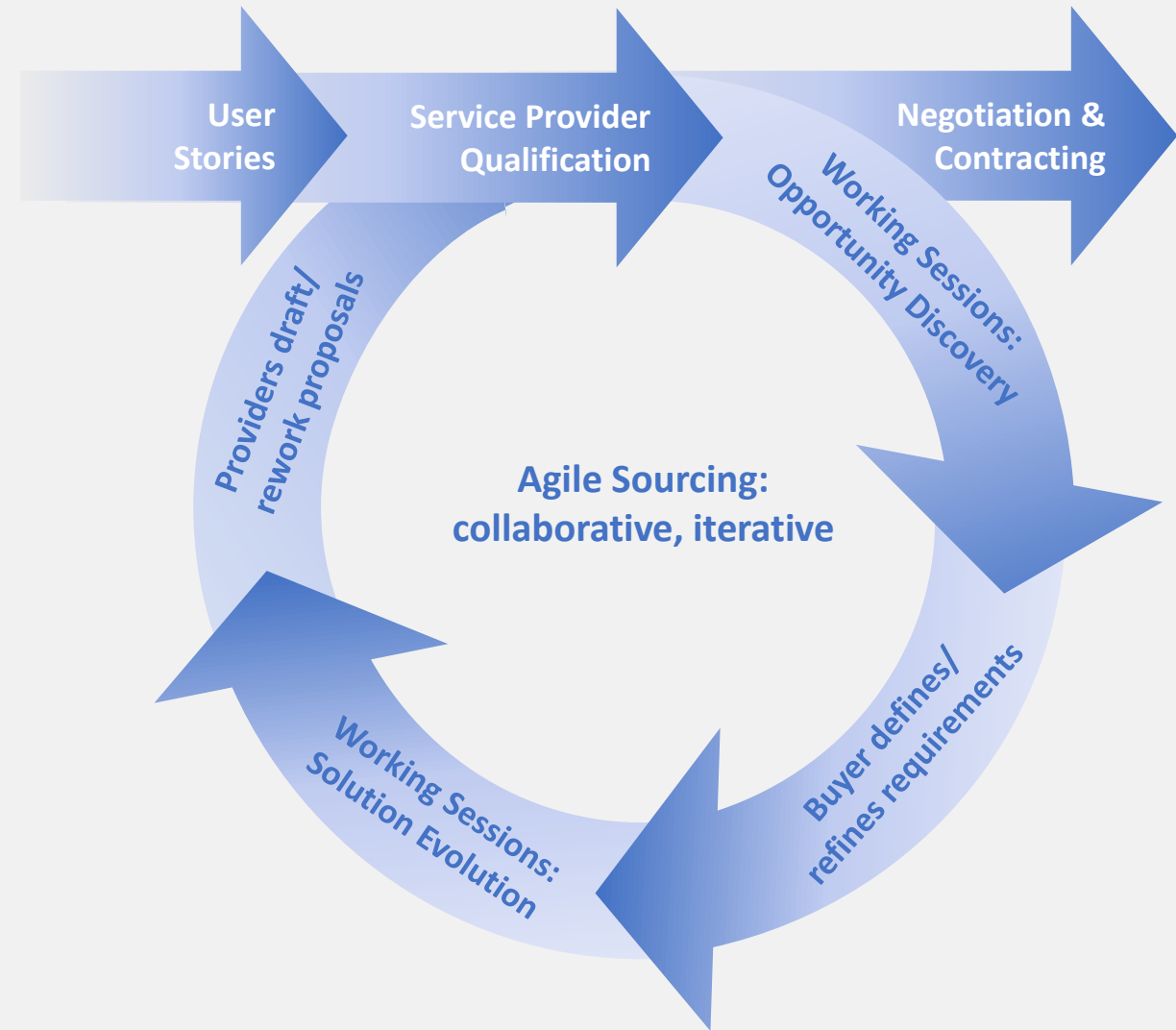
Previously in Agile Sourcing…

Traditional Sourcing: A Well-defined Journey To A Pre-defined Destination

- Request For Proposals (RFPs) and Public Sector tendering processes typically follow a 'Waterfall Model', much like the traditional SDLC

- Sourcing process is linear, unidirectional (only moves forward) and based on competitive bidding

- Requirements are clearly specified up-front and fixed, with little-to-no room for change
  - Bidders must comply or potentially risk disqualification

- Innovation not encouraged – may even be actively discouraged, as it leads to heterogeneity across bids

- Bidders are scored on:
  - Quality of technical proposal (extent of compliance with ask)
  - Attractiveness of commercial terms
  - Customer references

- Long-term monolithic contracts, ideally suited for commodified and/ or standardized products and services aimed at improving operational efficiency

Traditional Sourcing ("Waterfall Model"): linear, unidirectional

```
Requirement
Specification
    │
    └──▶ Bidder
         Qualification
              │
              └──▶ Request For
                   Proposal
                   (RFP)
                      │
                      └──▶ Evaluation &
                           Selection
                                │
                                └──▶ Negotiation
                                          │
                                          └──▶ Contracting
```

The Agile Sourcing Cycle, Unpacked

- Buyers have a general idea about what they believe they want, but lack clarity and depth of insight needed to produce a clear requirement specification
  - "We don't know what we don't know"

- Qualified Service Providers bring knowledge and experience
  - Help identify opportunities and shape requirements
  - Are encouraged to innovate and propose alternatives

- Sourcing process is circular and iterative
  - Goal is to create a "marketplace of ideas" within broad contours, as different from a competitive sports arena with rigid rules

- Contenders are assessed on:
  - Ability to drive innovative solutions and/or engagement models
  - Commercial terms commensurate with value proposition
  - Extent of cultural fit

- Ideally suited for finding strategic partners on transformative initiatives

User Stories → Service Provider Qualification → Negotiation & Contracting

Working Sessions: Opportunity Discovery

Buyer defines/ refines requirements

Working Sessions: Solution Evolution

Providers draft/ rework proposals

Agile Sourcing: collaborative, iterative

Update from the Working Group

Agile Sourcing: Readiness Assessment Framework

8 criteria determine how ready you are to implement Agile Sourcing

Compliance Imperatives	**Clarity of Requirements**	**Evaluation Criteria**	**Executive Buy-In**
Stakeholder Engagement	**Uniqueness of Services Sought**	**Nature of Relationship**	**Nature of Sourced Work**

Criteria are rated on a scale of 1 to 5

Description & Rating Guide – 1

Compliance Imperatives*

Are you required by external regulations or internal policies to comply with formal, well-defined and mandatory sourcing/ tendering procedures?

1 = Yes, mandatory procedures
5 = No, there is flexibility

Clarity of Requirements

Are you clear on what exactly you require?

Are you able to specify what you need explicitly in a requirements definition document?

1 = Yes, we are clear and sure
5 = No, we're unclear/ unsure

Evaluation Criteria

What are your evaluation criteria, in order of priority?

On what basis would you select a winner? Is innovation important?

1 = Most compliant, best price
5 = Innovativeness, flexibility

Executive Buy-In

Are leaders of in-scope business areas OK with switching to a new way of sourcing?

How amenable are they to such a proposal?

1 = No, they prefer traditional
5 = Yes, they're open

* If the rating is 1, then stick to traditional sourcing and look no further

Description & Rating Guide – 2

Stakeholder Engagement

Are your stakeholders/ SMEs ready, willing and able to invest time and energy into collaborative working sessions with the supplier community?

1 = No, they're too busy
5 = Yes, they are committed

Uniqueness of Services Sought

*Are the services you plan to outsource standardized/ commodified?
OR
Are they unique to your organization and/ or this project?*

1 = Standard/ commodity
5 = Special/ unique

Nature of Relationship

*Would you like to engage with a strategic partner?
OR
Just maintain a transactional relationship with a service provider?*

1 = Transactional procurement
5 = Strategic partnership

Nature of Sourced Work

*Is the project of a strategic/ transformative nature?
OR
Does it deal with outsourcing of routine operations?*

1 = Routine operations
5 = Transformative project

Analysis & Decision Guidelines

- **Average rating is 4 or higher**

    o Strong candidate for Agile Sourcing

    o Criteria rated as 1 or 2 (if any) are issues/ risks that need to be resolved/ mitigated

- **Average rating is 3 or higher but less than 4**

    o Switching to Agile Sourcing is possible but won't be easy

    o Criteria rated as 1 or 2 (if any) need to be addressed

- **Average rating is less than 3**

    o Avoid Agile Sourcing, traditional method may be best for now

    o Criteria rated 4 or 5, if any, hold promise for future

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