

# Strategic Sourcing

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strategic business advisors

# Strategic Sourcing

Our strategic sourcing methodology provides an integrated solution set that complements our approach to acquisition planning and business case development. It includes:

- Development of Service Provision models
- Baseline costing and due diligence
- Preparation of tender documentation
- Management of tender evaluation processes
- Negotiation Assistance, and
- Implementation assistance.

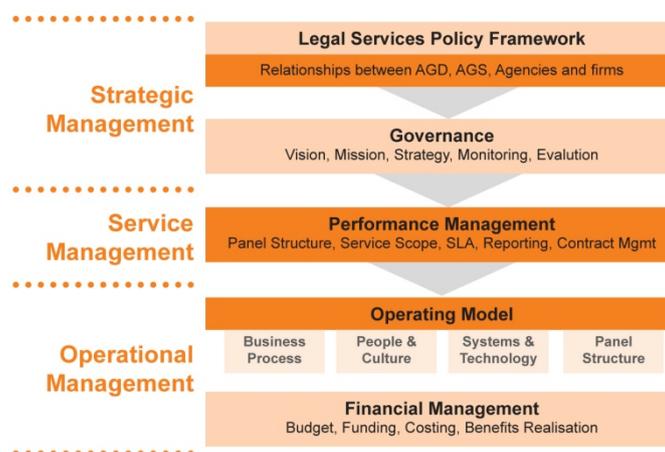
The following paragraphs briefly describe the procedures that we apply in completing the above tasks.

## Service Provision Models

In completing this task we examine current methods of service provision to identify a preferred service delivery model. Our processes focus on establishing strong program governance and performance management arrangements to ensure appropriate strategic management, service management and operational management control. An example of a Service Provision Model for a legal services panel tender is presented in the diagram below. Key features of the model include the establishment of:

- A robust business plan that defines the service outcomes for the function
- Service Level Agreements, which are used to define the performance specifications for the function and the obligations of the service provider and the client in the provision of the services, and
- Key performance measures, minimum performance standards and incentive / remedy mechanisms to ensure service provider performance.

## Service Delivery Model Framework



## Baseline Costing and Due diligence

We complete a rigorous analysis of baseline costs and service levels that are used as a basis for measuring efficiency gains and determining required levels of service. Through our work in market testing multiple functions we have prepared costing templates and collected benchmarking information that enables us to complete these tasks in a timely and cost effective manner. A cost model is developed to enable an accurate costing of baseline activities, which is confirmed with our clients.

We are also able to assist in collecting due diligence information, establishing data rooms, coordinating legal due diligence processes and managing interactions with tenderers including the conduct of tenderer briefings. We have developed tender management procedures that provide step-by-step guidance in the completion of these tasks.

## Preparation of Tender Documentation

Our tendering processes and documentation are fully compliant with the CPG's and relevant Defence procurement policies. We document the tender evaluation process in a formal tender evaluation plan, which is approved by members of the tender evaluation committee, probity and legal advisors prior to the close of tenders. The tender evaluation plan includes:

- Governance arrangements, including roles and responsibilities of the decision maker, members of the evaluation team and specialist advisors
- The evaluation methodology and scoring scale that will be used to evaluate tenders (we use a weighted decision matrix method of evaluation with a 100 point scoring scale)
- The approach to be adopted in the financial evaluation of tenders
- The evaluation criterion and weighting of the evaluation criterion, and
- The form of the evaluation report.

Our tender specifications are performance based and expressed in outcome terms. We are familiar with the ASDEFCON suite of documentation and will apply it as appropriate in the development of EOI and RFT documentation. We ensure that service specifications translate to service delivery by ensuring that specifications are consistent with our service level agreement framework. We also have considerable experience in the development of activity based pricing schedules that link to tender specifications and costing models.

## Management of Tender Evaluations

Our team is highly experienced in complex tender evaluations both as facilitators of evaluation processes and as members of tender evaluation teams. We assist our clients to evaluation teams that have the requisite blend of domain expertise and experience to objectively evaluate tenders in accordance with the tender evaluation plan.

We typically adopt a four stage evaluation process involving:

**Stage 1** – Preliminary review of tenders for compliance

**Stage 2** – Technical worth assessment

**Stage 3** – Price assessment, and

**Stage 4** – Value for money assessment.

Upon opening of the tenders we conduct a preliminary review to ensure that they comply with any conditions of participation and the conditions of tender. Any tenders that do not comply are eliminated from consideration.

The technical worth assessment is undertaken by scoring each criterion against a predetermined scoring scale. Our approach engages all members of the evaluation team in the assessment process. We encourage decision making by consensus and record details of the judgements that are made to support each score to ensure that there is a defensible audit trail of the decision process in our evaluation reports. Our 100-point rating scale includes a minimum threshold score. Any tenders that fail to achieve the minimum score are deemed to be incapable of implementation and are eliminated from further consideration.

Price assessment is undertaken independently of the technical worth assessment to ensure that the members of the evaluation team when scoring the weighted criterion are not unduly influenced by price.

Value for money is determined based on the comparison of technical worth to price. We assist our clients in conducting reference checks, site visits, tender briefing sessions and presentations during all stages of the evaluation process.

Following completion of the evaluation process we prepare a detailed evaluation report that documents the recommendation arising from the evaluation, the evaluation methodology and the results of the evaluation process. A narrative description supports the scores achieved by each tenderer against each criterion, which is reviewed and signed off by each member of the evaluation team. We ensure that there is a sufficient gap in scores to justify the recommendation in the evaluation report. In instances where there is not a sufficient gap we can assist the members of the evaluation team to conduct parallel negotiations or clarify tenders through reference checks or site visits so that a clear recommendation is established. The evaluation report is a stand-alone document that includes the results of the financial evaluation of tenders, referee comments and site visit reports.

### **Negotiation Assistance**

Grey Advantage is highly experienced in the conduct of parallel and post tender negotiation processes. We have template models for conducting risk assessments to support liability capping, manage transition in and transition out, record GFE and establish intellectual property registers. We have also assisted our clients to develop innovative pricing and incentive / remedy regimes based on measurable key performance information.

## Implementation Assistance

We are able to provide comprehensive implementation assistance including the establishment of transition plans, contact management training and manuals and client satisfaction surveys.

## Financial Due Diligence

Grey Advantage has developed a comprehensive suite of procedures for undertaking financial due diligence reviews. These procedures focus on key indicators of financial viability including:

- Enterprise size – net worth, turnover and reputation, contract size to turnover
- Financial strength – performance trends, profitability, leverage, balance sheet strength and liquidity
- Credibility of financial information, (e.g. whether an external audit has occurred), and
- Financial support by way of third party guarantees.

We utilise various other information sources, as applicable, to form our assessment, including:

- Australian Securities and Investment Commission (ASIC) searches
- Industry reports
- Company and credit check reports, and
- Media searches.

Our approach to the financial viability assessment analysis is based on four key dimensions. These dimensions are:

- Financial Analysis
- Key Financial Ratios
- Review of Other Information, and
- Reporting, including risk identification and mitigation strategies.

Collectively, these four dimensions provide a snapshot of an organisation's ability to continue operating into the future.

### Financial Viability Assessment



## Financial Analysis

Financial Statements provide a snapshot of the applicants' assets, liabilities, revenues and expenses. This information can be used to assess the financial health of the applicant.

Our procedures are designed to:

- Determine if there are any signs of financial distress
- Understand the capital structure
- Determine maximum borrowing capacity
- Review projections of financial position and performance
- Assess any audit qualifications, and
- Assess the basis of preparation of the financial information.

## Financial Ratio

Ratio analysis demonstrates the relationship between elements in the financial statements. There are a wide range of ratios that can be used to answer specific questions about the entity and the effectiveness of management particularly in the areas of financing, dividends and investment.

Broadly, ratio's can be divided into one of five groups:

- Profitability
- Operating efficiency
- Solvency (short and long-term)
- Cash-Flow, and
- Per-share ratios.

Our procedures are designed to determine if there are any indicators an entity is not viable in both the short and long term.

## Review of Other Information

Our procedures are designed to identify and assess information outside of the financial statements, included in the application form that may impact an organisation's financial assessment as well as to ensure statutory compliance.

## Reporting

Our findings are clearly communicated in comprehensive reports that are relevant to the intended audience.