

## PROCESS GROUP DEFINITIONS – PROCUREMENT

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Full-time equivalents (“FTEs”) and costs will be collected by the 15 processes shown in **bold**. They are detailed further on subsequent pages.

### Supply Data Management

#### ***Supply Data Management***

- Supplier master management
- Item master/content management
- Catalog management
- Contract master management

### Requisition and Purchase Order Processing

#### ***Requisition and Purchase Order Processing***

- Requisition processing
- Purchase order processing
- Requisition and purchase order support

### Supplier Scheduling

#### ***Supplier Scheduling***

- Supply requirements review
- Order release
- Inbound tactical supply management

### Receipt Processing

#### ***Receipt Processing***

- Materials and goods receipts (includes production material/capital assets/fixed assets)
- Service receipts

### Sourcing Execution

#### ***Requirements Definition and Supplier Bidding Negotiation and Supplier Contract Creation***

### Compliance Management

#### ***Compliance Management***

- Internal compliance management
- External compliance management

### Supplier Management & Development

#### ***Supplier Management***

#### ***Supplier Partnering***

### Customer Management

#### ***External Customer Management***

#### ***Internal Customer Management***

- Internal stakeholder reviews
- Planning and budgeting support

#### ***Product Development and Design Support***

- Planning/program management
- Specification development
- Alliance management

## **PROCESS GROUP DEFINITIONS – PROCUREMENT (CONT'D)**

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### **Planning and Analysis**

#### *Sourcing and Supply Base Strategy*

- Sourcing and supply base data gathering
- Sourcing strategy plan development

### **Function Management**

#### *Function Strategy and Performance Management*

- Strategic and operational planning

#### *Function Management*

- Function oversight
- Communications and personnel management
- Policy and procedure oversight
- Performance Management (Non-process Specific)

## **PROCESS GROUP DEFINITIONS – PROCUREMENT**

### **SUPPLY DATA MANAGEMENT**

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The process of managing item master, catalog records, contract content and supplier master files including adding, changing or deleting information contained in such files/records.

**Supplier master management** - The process of adding, editing or deleting information contained in the supplier master file(s).

#### Supplier setup

- Receive supplier setup requests
- Collect required supplier master file account setup information and documentation; includes capturing of information necessary to make a supplier payment (payee file information/attributes - i.e., W-9, W-4) and category of interest for suppliers
- Validate integrity of supplier account information (e.g., category of interest, vendor responsibility program information, restricted party or embargoed country list check)
- Assign supplier numbering and expenditure coding schemes
- Approve supplier set up request/new supplier account creation
- Create/add new supplier accounts in supplier master file

#### Supplier master file maintenance

- Edit supplier data (e.g., address, telephone) as required
- Interact with outside service providers to clean-up supplier master file (e.g., organization hierarchy)
- Validate legitimacy of suppliers on a sample basis
- Support suppliers involved in self-service maintenance activities
- Block suppliers from usage
- Archive inactive suppliers
- Delete supplier accounts
- Review supplier inactivity reports
- Conduct performance reporting of supplier maintenance activity
- Conduct issue resolution
- Resolve supplier master file issues
- Support end-user inquiries
- Interface with IT department as needed to maintain supplier master file system(s) and electronic linkages with internal systems and external partners
- Maintain supplier numbering and expenditure coding schemes
- Communicate supplier master file maintenance policies to internal and external personnel

#### **Item master/content management**

The process of adding, editing or deleting information contained in the item master file(s).

#### Item setup

- Receive part or service content request (i.e., from engineering or procurement)

- Collect required item master file account setup information and documentation and load into purchasing system
- Assign part numbering, supplier assignment and expenditure coding schemes
- Approve item/content addition
- Add new purchase items to master item files
- Release and update approved content

#### Item master file/content maintenance

- Block item content from usage
- Edit item data (e.g., preferred supplier linkage, item diagrams, part usage designation codes) as required
- Delete items records where purchases are no longer required
- Review item inactivity reports
- Conduct performance reporting
- Resolve item record maintenance issues including formatting and loading errors
- Support end-user inquiries
- Communicate with key stakeholders related to item addition/edit status and deletion review
- Engage and support supplier enablement activities related to building, loading, and editing part catalog content activities
- ePortal content management (procurement central, how-to-buy)
- Test item record utilization including content availability and transaction processing
- Maintain part numbering, supplier assignment and expenditure coding schemes
- Interface with IT department as needed to maintain item master file system(s) and electronic linkages with internal systems and external partners
- Interface with supplier to maintain punch-out catalog data
- Communicate item master file maintenance policies to internal and external personnel

#### Catalog management

The process of establishing and maintaining buy-side catalogs or item master files including adding, editing or deleting information contained in such files.

##### Catalog set up

- Receive part or service content requests
- Collect required catalog or item master file account setup information and documentation and load into purchasing system
- Prepare catalog structure (i.e., create new catalog categories, browsing categories, and/ or catalog category descriptors)
- Approve and validate new purchase item content for catalog
- Add new purchase items to catalog
- Engage and support supplier enablement activities related to building, loading, and editing part catalog content activities
- Resolve catalog or item master file issues including formatting and loading errors
- Test catalog utilization including content availability and transaction processing
- Assign and maintain part numbering, supplier assignment and commodity coding schemes

- Release and update approved content

#### Catalog maintenance

- Edit existing catalog content
- Engage and support supplier enablement activities related to building, loading, and editing part catalog content activities
- Support electronic portal content management
- Block item content from usage
- Delete catalog records where purchases are no longer required
- Review catalog inactivity reports
- Interface with IT department as needed to maintain catalog or item master file system(s) and electronic linkages with internal systems and external partners
- Interface with supplier to maintain punch-out catalog data
- Conduct required reporting and performance management
- Communicate catalog management policies to internal and external personnel

#### **Contract master management**

The process of managing contract templates and digitizing, administering and managing supplier contracts.

#### Contract template management

- Create and maintain repository for standard legal and business provisions

#### Contract master file, store and retrieval

- Collect and retain supplier contracts
- Transform paper contracts to electronic format (i.e., scanning)
- Resolve contract master maintenance issues including formatting and loading errors
- Retain original contracts in accordance with internal and external record retention policies
- Support end-user inquiries

#### Contract master maintenance

- Administer and manage supplier contracts including expiration dates
- Conduct performance reporting
- Resolve contract master maintenance issues including formatting and loading errors
- Support end-user inquiries
- Interface with IT department as needed to maintain contract management system(s) and electronic linkages with internal systems and external partners

## PROCESS GROUP DEFINITIONS – PROCUREMENT

### REQUISITION AND PURCHASE ORDER PROCESSING

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The completion of contractual documentation to formalize a purchase transaction with a supplier, including order acknowledgement.

#### Requisition processing

The process of identifying a need, creating, authorizing, modifying, completing and processing requisitions for indirect and direct materials and services.

**Note: Needs identification does not include requirements management associated with sourcing processes (i.e. detailed technical requirement development). Maintenance, Engineering and Operating Functions and Processes are Out of Scope (e.g. Business Planning, Budgeting, Forecasting, Design and Engineering, Detailed Requirement Specification, Cost Control, and Project Management)**

Requisitioner search for supply

- End-users initiate search for goods or services based on identified business requirements

**Note: This activity is not to be construed as sourcing or even expediting. It does include taking an end-user request for a catalog item and looking for it in the system to place the requisition.**

Requisition creation

- Communicate procurement process related to purchase category (PO-required transaction vs. recurring invoice);
- Translate request for goods and services and create requisitions (can be end-user supported or MRP (Manufacturing resource planning) generated for direct materials)
- Receive and validate purchase requisition information requests

Requisition approval

- Approve and process purchase requisitions
- Coordinate with finance department to insure proper accounting for purchase transactions that do not require purchase order processing steps
- Support reconciliations, accruals and compliance management (as needed); includes pre-encumbrance recognition accounting (funds allocation) and account distribution; **excludes cost accounting and detailed project accounting activities**
- Distribute approved requisitions or related authorized purchase documentation to internal parties (i.e., routed to procurement for PO processing or sourcing support is required) and external parties (distribution could be to supplier if additional procurement support is not required or is automatically processed electronically, such as request – invoice receipt (electronic/EDI feed) or pay process flow for recurring invoices and pull/pay type purchases)
- Communicate with suppliers on details of approved requisition requirements triggering commitment (i.e., commercial arrangements, payment terms)

Requisition maintenance

- Modify requisitions (as needed)

- Process cancellations to existing requisitions (cancellation refers to user cancels the requisition process based on denial of approval)
- Communicate with requisitioners on outstanding issues (as needed)
- Conduct discrepancy resolution
- Support inquiries and provide responses
- Conduct required reporting and performance management
- File and store receipt documentation in accordance with internal and external record retention management policies
- Delete requisitions (refers to requisition archived recorded being purged)
- Interface with IT department as needed to maintain requisition systems and electronic linkages with internal systems and external partners

**Scope: The intent of requisition creation and approval is to capture activity that represents more than 10% of an end users' time on an annual basis not to try and capture all the self service requisitioning effort distributed across the enterprise.**

## Purchase order processing

The process of developing, issuing purchase orders or providing guidance on procurement method to completion of contractual documentation and supplier order acceptance to formalize a transaction with a supplier.

### Purchase order creation

- Create required purchase order or blanket contract documentation (quantity, price, payment terms, anticipated delivery dates, expected performance, SOW and/or milestones for services, etc.)
- Communicate procurement process related to purchase category (PO required transaction vs. procurement card)
- Channel management /channel compliance – passive or active reviews; redirect purchase to preferred tool (p-card, catalog, contract) or preferred supplier
- Check inventory/availability for existing items

### Purchase order approval

- Perform business controls/risk checks based on low-mid-high touch PO criteria (confirm on-contract vs. off-contract, collect appropriate supporting docs)
- Validate PO data (including verifying/updating tax information)
- Conduct reconciliation of requisition to finalized transaction for procurement
- Coordinate with functional partners to insure proper set up of purchase transactions (i.e., finance)
- Support reconciliations, accruals and compliance management (as needed); includes encumbrance recognition and accounting distributions

### Purchase order distribution to suppliers

- Issue purchase order/commitment and communicate to supplier
- Receive and review purchase order supplier acknowledgments
- Communicate with suppliers on details of approved purchase orders (i.e., commercial arrangements, payment terms)

### Change order creation

- Issue change orders and cancellations to existing purchase orders
- Receive and review PO change order supplier acknowledgments
- Communicate with suppliers on details of approved purchase orders (i.e., commercial arrangements, payment terms)



## Requisition and purchase order support

### Inquiry support

- Help desk support for order processing
- Help desk support for system related queries
- Help desk for system business processes
- End-user training
- Research outstanding delivery, quality, quantity and backorder issues and provide responses
- Conduct discrepancy resolution (includes issue support with accounts payable)

### Purchase order maintenance

- Monitor time to expiration of blanket contracts and initiate/manage blanket purchase order renewal requests
- System auto trigger sends an email to contract owner when expiry is approaching. blanket purchase order renewals are managed by consumers/end-users in system; procurement is involved if blanket purchase order invoice exceeds available funds (assist with change order or submitting new blanket purchase order requisition)
- Interface with IT department as needed to maintain purchase order systems as well as electronic linkages with internal systems and external partners
- File and store receipt documentation in accordance with internal and external record retention management policies
- Delete purchase orders

### Reporting

- Conduct required reporting and performance management

## **PROCESS GROUP DEFINITIONS – PROCUREMENT**

### **SUPPLIER SCHEDULING**

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The process of providing suppliers with valid due dates for future deliveries and support order expediting.

#### **Supply requirements review**

- Analyze material resource planning system or need date schedules
- Interpret ERP/MRP guidance and determination needs requirements
- Review existing supplier commitments for materials/service coverage

#### **Order release**

- Create blanket purchase order releases
- Issue blanket purchase order releases

#### **Inbound tactical supply management**

- Support processing of alerts and process change notifications (i.e., quality, invoices, ERP requirements)
- Communicate schedule changes to suppliers
- Confirm supplier production/delivery capabilities for upcoming releases (includes ensuring the supplier can meet the commitment around delivery)
- Order expediting
- Conduct escalation management associated with Issues related to providing assurance of supply in times of supplier allocations

This process excludes activities related to demand schedule / forecast creation that are entered into MRP / ERP systems or provided to suppliers.

## **PROCESS GROUP DEFINITIONS – PROCUREMENT**

### **RECEIPT PROCESSING**

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The process of tracking, inspecting, and receiving incoming goods and/or services.

#### **Materials and goods receipts (includes production material/capital assets/fixed assets)**

##### Materials delivery review

- Perform initial visual quality and quantity inspection
- Perform receipt acknowledgement (advanced shipment notifications, additional supplier communications, etc.)
- Check and verify packing slip/receiving documentation
- Perform counts of materials received
- Generate receiving documentation required to support cash disbursements activity and record retention requirements
- Verification of receipt of goods/services from international entities with the domestic recipient
- Verification of receipt of goods/services with the recipient

##### Receipt processing

- Input receiving counts and other information into receiving/purchasing systems
- Validate receipt information against purchase order/commitment goods/materials
- Forwarding of documentation to organization/division which received the goods/services
- Creation of entries for receipt of goods/services from other entities
- Conduct matching of receipt information with PO information
- Support supplier returns processing

##### Inquiry support and discrepancy resolution

- Track shipments
- Resolve receipt discrepancy issues for receivable goods and services.
- Responding to internal or external inquiries
- Processing adjustments for returns of incorrect charges

##### Receipt file, store and retrieval

- Retain required documentation
- Interface with IT department as needed to maintain electronic linkages with internal and external systems
- File and store receipt documentation in accordance with internal and external record retention management policies
- Conduct required reporting and performance management

## Services receipts

### Service delivery review

- Perform service review
- Verification of receipt of services with the recipient; includes validation of time sheets, time logs and deliverable completion (i.e., service performance)

### Receipt processing

- Enter/confirm receipt information
- Perform match service receipt information (i.e., invoice) with purchase order/commitment documentation
- Creation of entries for receipt of services

### Inquiry support and discrepancy resolution

- Resolve receipt discrepancy issues for services or indirect procurement non-receivable goods. Includes ERP messaging discrepancies and PO fallouts.
- Responding to internal or external inquiries

### Receipt file, store and retrieval

- Retain required documentation
- Interface with IT department as needed to maintain electronic linkages with internal and external systems
- File and store receipt documentation in accordance with internal and external record retention management policies
- Conduct required reporting and performance management

This process excludes activities related to material movement (e.g. unloading and putaway activity), inventory management, and quality control / quality assurance testing of inbound material to agreed upon specification.

## **PROCESS GROUP DEFINITIONS – PROCUREMENT**

### **SOURCING EXECUTION – REQUIREMENTS DEFINITION AND SUPPLIER BIDDING**

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The process of identifying, validating and selecting suppliers for direct materials, indirect materials and capital goods and services.

#### Requirements definition

- Participate in cross-functional/cross-business teams to identify business requirements
- Conduct supply market, benchmarking and individual supplier research including evaluating financial risk and delivery performance, as well as go-to-market and/or balance of trade implications

#### Supplier identification and notification

- Research and identify list of potential suppliers
- Participate in cross-functional/cross-business teams to identify potential suppliers
- Host supplier event to communicate objectives, benefits, and logistics of the sourcing event.
- Conduct executive supplier review when major bilateral relationship exists (i.e., balance of trade)

#### RFx creation and distribution

- Create request for proposal/information/quote documentation (profile) of gathered business requirements
- Identify listing of suppliers to participate in RFx process
- Set up electronic RFx tool
- Issue quotation, information and/or proposal requests to identified suppliers
- Handle supplier questions on quotation/proposal requests

#### Reverse auction (for price only or when used in conjunction with formal negotiation process)

- Prepare for electronic auction event including identification of negotiable issues, roles, logistics, timing as well as strategy
- Communicate with suppliers as to electronic auction logistics and other procedures
- Set up electronic auctioning tool – price only
- Participate in cross-functional/cross-business teams for electronic auction event preparation and execution
- Conduct electronic auction event

#### RFx bid analysis

- Select RFx (solicitation types) template based on bid threshold and/or delegation (business/policy rules)
- Identify and weight supplier selection criteria
- Establish baseline for spend and savings or performance improvement analysis
- Consolidate and analyze completed supplier quotes, proposals and information; account for service delivery and price
- Interview supplier references

## **PROCESS GROUP DEFINITIONS – PROCUREMENT**

### **SOURCING EXECUTION – NEGOTIATION AND SUPPLIER CONTRACT CREATION**

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The process of negotiating terms, delivery, price, and quantities with suppliers.

#### **Supplier site visit and certification**

- Conduct supplier site visits to access supplier capabilities
- Coordinate/program manage supplier certification/pre-qualification activities to be performed/supported by key stakeholders (i.e., finance, operations, quality control); includes contractor and subcontractor pre-qualification reviews (Note - supplier qualification activity may be performed earlier in the sourcing execution process but Hackett captures the effort to support this activity here)

#### **Negotiation**

- Select supplier(s) for negotiations
- Prepare for negotiations including identification of negotiable issues, roles, logistics, timing as well as strategy (including value creation and BATNA)
- Communicate with suppliers as to negotiation logistics and other procedures
- Participate in cross-functional/cross-business teams for negotiation event preparation and execution
- Conduct supplier negotiations event

#### **Supplier selection**

- Identify/refine supplier selection criteria and weighting
- Perform supplier selection analysis
- Establish final business terms (i.e., price, delivery, quality, service level agreement)
- Finalize supplier selection with business partners

#### **Contract creation**

- Document statement of work or memorandum of understanding
- Create supplier contract; mitigate risk utilizing contract templates and leveraging the standard legal and business provisions repository
- Support involvement of legal department negotiations on non-business terms and conditions with suppliers
- Review exception contract terms and conditions with the sourcing team and/or legal
- Obtain contract approval(s) and signature(s)
- Award notification/termination strategy
- Manage the appeals process (i.e., contested solicitation results)
- Develop implementation/transition plan

## **PROCESS GROUP DEFINITIONS – PROCUREMENT COMPLIANCE MANAGEMENT**

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The process of complying with all government regulations and internal purchasing-related company control regulations.

### **Internal compliance management**

The process of monitoring and enforcing compliance to procurement related policies and procedures.

#### Contract compliance

- Monitor internal customer compliance to supplier contracts (including utilization levels)
- Comply with internal procurement-related organization control regulations
- Audit contract repository to ensure business controls (includes self-audits)
- Monitor internal procurement-related service level agreements (i.e., activity processing response times)
- Report on contract compliance and non-compliance
- Support non-compliance corrective action plan development and enforcement

#### Demand management compliance

- Monitor and manage internal compliance to preferred suppliers (demand management/channel spend)
- Report on demand management compliance and non-compliance
- Support non-compliance corrective action plan development and enforcement

#### Policies and procedures compliance

- Monitor internal compliance to procurement policies and procedures
- Collect, maintain, retain and report purchasing data needed to determine compliance with internal procurement policy and procedure requirements; includes document retention associated with supporting entire solicitation and contracting process (i.e., creation of the procurement file)
- Report on procurement policies and procedures compliance and non-compliance
- Support non-compliance corrective action plan development and enforcement
- Policies and procedures compliance activity includes delegation authority and bid threshold monitoring and reporting
- Delegation authority and bid thresholds monitoring and enforcement

#### Internal audit support

- Plan and execute statewide and regional/country internal audit reviews around compliance to internal contract administration (i.e., terms and conditions content provisions review, contract retention)
- Coordinate savings compliance and reviews with finance
- Support non-compliance corrective action plan development and enforcement

## External compliance management

The process of complying with all procurement related and supported external regulations.

### Regulatory/Government compliance

- Identify external and governmental compliance requirements in such areas as finance, quality, environmental, industry specific, supplier base diversity, export/import, etc. (e.g., WEEE (waste electrical and electronic equipment), RoHS (restriction on hazardous substances) program reporting; Sarbanes Oxley for electronic purchasing approval and reporting; and contingent workforce tracking (for IRS and labor audit compliance); vendor responsibility program management and verification/assurance)
- Collect, maintain, retain and report required purchasing statistics to appropriate external and governmental agencies
- Ensure compliance of purchased items, contracts and selected suppliers with all identified and supported external regulations
- Ensure consistency of external compliance data and regulatory requirements in purchasing contracts
- Tracking labor purchases for workers council information sharing purposes
- Plan and execute statewide and regional/country internal and external audit reviews around compliance to government/regulatory issues

### Non-government compliance

- Identify external and non-governmental compliance requirements in such areas as industry specific, etc. (e.g., ISO certification)
- Plan and execute statewide and regional/country reviews around compliance to non-government regulations
- Report on non-government compliance and non-compliance



## **PROCESS GROUP DEFINITIONS – PROCUREMENT**

### **SUPPLIER MANAGEMENT & DEVELOPMENT – SUPPLIER MANAGEMENT**

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The process of enabling supplier agreements and measuring supplier performance.

#### **Supplier integration and enablement**

- Conduct supplier transition activities from sourcing team to supplier management team
- Conduct supplier kickoff/orientation meeting
- Review and discuss existing processes, policies and procedures with supplier partners
- Develop, test, and implement technical interfaces, integration, digitization, etc.
- Provide supplier training on client specific requirements

#### **Supplier segmentation analysis**

- Establish supplier tiering guidelines (i.e., preferred, strategic)
- Conduct supplier segmentation analysis

**Supplier performance management** - The sub-process of evaluating and managing supplier performance.

- Identify and select supplier performance measures
- Develop supplier delivery scorecards
- Set performance targets for suppliers
- Monitor and evaluate supplier performance against established criteria (i.e., product/service level quality, delivery, contract compliance)
- Conduct end-user satisfaction surveys for existing suppliers
- Conduct internal supplier evaluations
- Conduct formal supplier performance reviews
- Communicate performance findings to suppliers and stakeholders
- Conduct issue resolution related to supplier non-performance issues (i.e., price or quality variances from negotiated terms and conditions, timeliness of response and delivery of goods and services)

**Supply base risk management** - The sub-process of assessing, monitoring and managing supply base risk (e.g., supplier financial viability) before, during and after supplier selection.

- Identify categories of risk
- Perform individual supplier risk assessments
- Develop plans associated with supply base risk mitigation
- Monitor risk of overall supply base
- Monitor risk of overall supply base

## **PROCESS GROUP DEFINITIONS – PROCUREMENT SUPPLIER MANAGEMENT & DEVELOPMENT – SUPPLIER PARTNERING**

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The process of developing and enhancing supplier relationships.

- Classify suppliers and identify potential supplier-partners
- Develop and implement supplier management strategy
- Develop and coordinate performance improvement initiatives with suppliers and stakeholders (i.e., mutual cost reduction programs)
- Participate in training and/or process improvement teams with suppliers and stakeholders (i.e., Six Sigma training)
- Communicate organization cost/quality initiatives and other pertinent key initiatives to suppliers and stakeholders

## **PROCESS GROUP DEFINITIONS – PROCUREMENT**

### **CUSTOMER MANAGEMENT – EXTERNAL CUSTOMER MANAGEMENT**

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The process of engaging and partnering with internal and external customers/clients/partners to identify and support agreed upon requirements, objectives and goals.

- Solicit and gain an understanding of the key external customer requirements that impact the procurement operations and broader supply chain activities
- Identify external customer improvement opportunities and use external customer requirements to help prioritize Procurement improvement initiatives
- Participate in extended enterprise supply base network design activities (i.e., tier 1 , tier 2 supplier alignment) by translating external customer requirements (specifications, volumes, target costs, etc.) up the supply chain
- Communicate activities related to external customer partnering initiatives

### **CUSTOMER MANAGEMENT – INTERNAL CUSTOMER MANAGEMENT**

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#### **Internal stakeholder reviews**

- Solicit and gain an understanding of internal stakeholders' overall business objectives
- Discuss, determine, finalize and communicate roles of internal stakeholders and procurement across procurement operations, compliance management, sourcing and supplier management activities
- Engage in formalized activities to improve and develop cross-business and cross-functional relationships (i.e., procurement personnel assignment to certain businesses, joint staff meeting initiative updates)
- Communicate function goals and strategies to internal stakeholders
- Soliciting input with regard to recommended initiatives to improve service delivery to internal stakeholders
- Communication of scheduled procurement activities that will impact internal stakeholders (i.e., sourcing engagements, technology improvement initiatives, policy development)
- Engage in relationship management at the business or function level - not the commodity level
- Ensure alignment of the procurement strategy to function or business strategy of internal stakeholders

#### **Planning and budgeting support**

- Participating in the planning and budgeting process with internal customers (i.e., incorporation of projected cost reduction savings into the internal customer's budget)
- Align input from internal customer planning and budgeting activities to the procurement functional planning processes

## **PROCESS GROUP DEFINITIONS – PROCUREMENT**

### **CUSTOMER MANAGEMENT – PRODUCT DEVELOPMENT AND DESIGN SUPPORT**

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The process of supporting the new product development process and providing specification and program design support for indirect spend areas (i.e., capital expenditures - facilities design and tool design).

#### **Planning/Program management**

- Conduct project scope planning for procurement’s involvement in product development activities
- Support design staff directly and/or in cross-functional teams to develop product concepts and high level designs; includes support for all types of goods, from make-to-stock to engineer-to-order (e.g., as part of a customer-facing quotation process)
- Work with new product development planning to understand and influence project plans and schedules supporting supply base requirements (i.e., lead times)
- Work with supply chain and research and development partners to establish and achieve product/project objectives that support a successful production strategy (costs, design for supply chain, part and supplier standardization, life cycle considerations, seamless integration into manufacturing and supply base)
- In support of technology, supply base and manufacturing considerations, understand and influence product design (block diagram, product structure, part usage, etc.) as appropriate to ensure “downstream” requirements are preserved
- Develop and maintain design for supply chain guidelines for use by partners/customers as influenced by supply base and supply chain partners
- Provide feedback to procurement partners on supplier performance in regards to proto/pilot material results.
- Solicit and represent supply chain manufacturing strategy for long-term production
- Regularly communicate project development status with supply chain partners.
- Indirect spend design support - Conduct project scope planning for procurement’s involvement in non-product design support activities
- Indirect spend design support - Support design staff directly and/or in cross-functional teams to develop high level designs/service delivery model
- Indirect spend design support - Work with planning team to understand and influence project plans and schedules supporting supply base requirements (i.e., lead times)

#### **Specification development**

- Conduct material cost modeling and cost roll-ups (including price benchmarking and cost estimation activities)
- Support design staff directly and/or in cross-functional teams to translate product concepts into detailed specifications for purchased raw materials, components, assemblies, and services
- Capture form, fit and function requirements for purchased parts
- Capture expected volumes (average and variability) of needed items (if available during product design phase)
- Support design and cost trade-off analysis, including make vs. buy analysis

- Support the development and enhancement of technology roadmaps
- Match current and future supplier capabilities to technology roadmaps
- Support industry/process specific standards (e.g., part-approval processes for supplier parts)
- Participate in value engineering analysis
- Provide “local” technical expertise for those commodities not managed at higher level
- Query research and development and supply chain partners on new technology requirements and opportunities that require attention and research
- Develop and communicate technology roadmapping on key commodities/components on regular basis
- Proactively search for state of the art materials, processes and suppliers
- Procure, manage and qualify proto and pilot material; communicate status of proto and pilot material to research and development partners as required
- Approve and facilitate release of design documentation
- Indirect spend design support - Conduct material cost modeling and cost roll-ups (including price benchmarking and cost estimation activities)
- Indirect spend design support - Approve and facilitate release of design documentation

### **Alliance management**

- Present new supplier/technologies to partners/customers via supplier presentations and technical training seminars
- Support the identification and establishment of common, standardized component or assembly designs as well as the decision support tools that promote such design/part/supplier re-use
- Resolve technical issues with suppliers during the product concept and detailed definition phases
- Coordinate supplier involvement in product prototyping
- Coordinate the involvement of suppliers during the product concept and detailed definition phases (e.g., ensure design for manufacturability of purchase parts)
- Communicate and champion potential 3rd party alliance opportunities to research and development partners that will provide strategic resources and or technical advantages to development activities
- Develop and assist in the project management of alliance opportunities undertaken by research and development partners
- Indirect spend design support - Proactively search for state of the art materials, processes and suppliers
- Indirect spend design support - Coordinate supplier involvement in design activities/testing

### **Product ramp-up and release**

- Link with experts in “corporate/group” level managed/directed commodities (e.g., power supplier, displays)
- Apply a strategy that minimizes/eliminates component/commodity long-term availability issues (e.g., discontinuances, lifetime buys, etc.)
- Solicit and represent statewide procurement supply chain strategy for long-term production
- Regularly communicate anticipated long-term production requirements (forecasts) so as adequately prepare supply base and manufacturing centers

- Support transition of product from development environment to eventual OF manufacturing environment(s)

## **PROCESS GROUP DEFINITIONS – PROCUREMENT**

### **PLANNING AND ANALYSIS – SOURCING AND SUPPLY BASE STRATEGY**

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The process of analyzing and profiling spending behavior as well as developing sourcing/category strategies that aligns with organization business owners/partners to optimize the efficiency and value of the supply base.

#### **Sourcing and supply base data gathering**

Internal data (demand, spend, etc.) - The process of collecting data from internal customers (i.e., historical and project demand).

- Identify spend data source
- Establish categorization schema for spend analysis (categories, suppliers, capabilities, industries, items and descriptions, cost elements)
- Perform data collection and spend aggregation activities
- Perform data cleansing and validation activities
- Create spend profiles
- Support spend data management classification, storage and reporting activities
- Provide spend data request/inquiry support

External data (customer, supplier, etc.) - The process of collecting data from external sources (customers and suppliers).

- Identify spend data source
- Establish categorization schema for spend analysis (categories, suppliers, capabilities, industries, items and descriptions, cost elements)
- Perform data collection and spend aggregation activities
- Perform data cleansing and validation activities
- Identify duplicate suppliers and support duplicate supplier account maintenance activities
- Create spend profiles
- Support spend data management classification, storage and reporting activities
- Provide spend data request/inquiry support

#### **Spend Analysis**

- Conduct commodity segmentation analysis
- Conduct balance of trade/reciprocity analysis and considerations
- Determine sourcing opportunities methodology based on spend analysis
- Identify sourcing opportunities
- Interface with consultants for spend analysis

#### **Internal requirements analysis**

- Align supplier selection criteria with enterprise-wide goals and stakeholder requirements (e.g., unit cost reduction, inventory reduction, order lead time reduction, flexibility increase, technological leadership)
- Identify strategic goods and services

**Supply base/Market analysis**

- Decide/leverage country/regional/statewide scope (i.e., utilization of low cost country suppliers)
- Conduct industry and supply market intelligence research and analysis
- Conduct supplier segmentation analysis based upon existing supply base classification criteria (i.e., preferred, strategic)
- Evaluate opportunities for intra-commodity vs. inter-commodity strategy development

**Total cost/value analysis**

- Perform cost/benefit analysis to support make/buy decisions
- Develop strategies to measure total cost of acquisition and ownership

**Sourcing strategy plan development** - The process of developing expenditure area category plans and goals.

- Develop and maintain statewide, national, regional and local as well as spend category sourcing strategies
- Coordinate rightsizing of the supply base in light of supply base/market analysis
- Identify goods and services that require duplicate suppliers and determine buy splits
- Create plans to identify or develop alternative suppliers
- Establish and participate in cross-functional/cross-business teams for sourcing strategy development
- Support reengineering commodity supply chains efforts



## **PROCESS GROUP DEFINITIONS – PROCUREMENT FUNCTION STRATEGY AND PERFORMANCE MANAGEMENT**

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The process of determining and monitoring procurement strategies and goals

### **Strategic and operational planning**

Vision and strategy development

- Support of the business in preparation of unit goals, strategies and tactics
- Determine the financial impact of business strategies
- Prepare long-term plans (i.e., 3-year and 5-year plans)
- Development of new initiatives and plans

Target setting

- Cross reference internal customer planning and budgeting input
- Establish key performance indicator targets (i.e., organization, employees)
- Set MBE targets

Performance measurement and monitoring

- Communicate and enforce organization goals and objectives to internal and external stakeholders
- Develop, maintain and report performance metrics across all organizations
- Prepare corporate scorecards and monitor strategic business plan

## **FUNCTION MANAGEMENT**

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Activities related to the establishment of procurement policies and controls as well as general administration and personnel management. For purposes of this study, function management is reserved for senior procurement management (corporate, group/sector managers, division managers and their administrative support).

### **Function oversight**

Communications and personnel management - The process of developing communications content and delivery mechanisms that ensure internal and external stakeholders are fully informed.

- Conduct procurement personnel skills identification, assessment and management
- Develop and manage individual and organizational development programs
- Support and conduct personnel training
- Maintain and support personnel certification program requirements
- Develop and issue communication to procurement staff members (i.e., newsletter, staff meetings)
- Implement functional and location level change management initiatives
- Support personnel management activities (i.e., recruiting, performance reviews)

Budget management - The process of establishing annual financial budgets and targets which meet management's expectations and align to overall corporate objectives.

- Prepare and consolidate annual budget preparation schedules
- Establish basic business and economic assumptions, guidelines and timing requirements
- Develop and distribute operating budget guidelines
- Develop various annual budget reports for management use
- Analyze and review budgets with management

#### Organization management

- Develop organizational structure (including role identification and realignment)
- Conduct procurement personnel resource program/project alignment and deployment

#### Policy and procedures oversight

The process of identifying and developing procurement policy controls and business controls compliance standards and measurement tools.

- Conduct policy and procedures planning (incorporating feedback from functional partners)
- Establishment of procurement policies in accordance with general business plans
- Identification and development of procurement policy controls
- Developing, defining and modifying authorization hierarchies and approval limits supporting purchasing transaction processing (includes delegation authority and bid thresholds)
- Approve procurement policy and procedures
- Identify, develop, maintain, and support reporting around policies and procedures
- Communicate organization policies, procedures, goals and objectives to internal and external impacted parties
- Support inquiries related to policy and procedures matters
- Conduct, sponsor and support training related to purchasing policy and procedure rollout

#### Performance improvement (non-process specific)

The process of sustaining continual improvement across the full range of support and customer facing processes through developing focused improvement initiatives.

##### Performance improvement planning

- Researching, evaluating and analyzing processes, technology, and organizational design for purposes of improving the procurement function
- Conduct interviews with suppliers and other key stakeholders to identify best applicable practices

##### Performance improvement development

- Performing process redesign including ‘quick win’ programs, process policy changes, and redesigning processes in support of technology programs
- Performing activities associated with mergers and acquisitions integration (begins after acquisition) of PO’s, contracts and suppliers
- Planning and performing change management programs for procurement
- Define and administer supplier and engagement “tiering” definitions and processes.
- Development of supplier enablement (i.e., on-boarding) programs

- Conducting performance improvement programs such as Six Sigma that are specific to procurement
- Creating overall process standards and frameworks for such activities as conducting expenditure or category management and ensuring consistency of execution
- Establish process for measuring savings or performance improvement
- Identifying, developing and documenting the optimal workflow by transaction category and spend for the procurement flow path (i.e., what purchase process will be used for each expenditure category that support supplier payment processing)

#### Performance improvement management

- Ongoing management of projects by procurement personnel related to technology selection/implementation or process improvements
- Leading or managing a project management office (PMO) related to procurement improvement initiatives including coordination with other divisions of the organization or enterprise
- Providing management reporting specific to performance improvement initiatives

## SPEND DEFINITIONS – PROCUREMENT

The following definitions aid in the identification and proper categorization of spend that is captured as part of the procurement benchmark study. Please note that spend categories in bold indicate the level at which spend will be reported and for which a number of benchmark questions are asked. Hackett defines benchmark in scope spend to include “sourceable” spend.

Level 1	Level 2	Level 3	Level 4	Level 5	Description
Direct					
	<b>Materials</b>				
		<b>Purchased Finished Goods (Resale)</b>			Original equipment manufacturer (OEMs), retail items, purchases for clients
		<b>Raw Materials, Packaging, Other</b>			
			Raw materials		
				Parts and assemblies	Components, discrete items, higher-level assemblies (e.g., printed circuit boards) incorporated into finished products to customers; includes purchases of materials for use in engineer-to-order construction projects on behalf of clients (direct bill back)
				Bulk commodity	Commodity bulk purchases (e.g., metals, coal, natural gas, oil, coal, food products)
			Packaging		Pallets and packaging, dunnage
			Other		Includes the cost of other materials that are used to produce finished products for sale or deliverables/service output to customers (e.g., client engagements or projects)
	<b>Services</b>				
		Logistics	Distribution services		Examples include product terminals and warehousing
			Freight		Product-related bulk transportation, truck hire, transport except those in vehicle hire, logistics services (outbound transportation costs)
		Contract Manufacturing			Cost of contract manufacturing (not materials)
		Contract Temporary Labor			When substituting for employees charged to cost of goods sold or cost of service
		R&D/Mfg/Supply Chain Outsourcing	R&D/Mfg/Supply chain outsourcing		Product test, assembly, order fulfillment, transportation, storage, distribution, returns, etc.)
		Other Services			Services included in cost of sales or cost of service delivery models
					(i.e., construction services, engineering services, software design and implementation, research services that are typically project-based client engagements)
					(i.e., insurance underwriting for customer policy)

					Transmission service fees for financial institutions
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Level 1	Level 2	Level 3	Level 4	Level 5	Description
<b>Indirect Materials</b>					Typically capital, operating or SG&A expenses
<b>Indirect Services</b>					Typically capital, operating or SG&A expenses
	Capital Equip/ Facilities Mgmt	Materials			
			Property, plant and equipment purchases		
				Equipment	Capital asset purchases (e.g., production equipment for manufacturers, ATMs for financial services), includes refurbishment and construction
				Real estate	
			Facility maintenance		
				Supplies	Includes maintenance, repair and operating (MRO) material expenditures for production equipment and facility maintenance/repairs
		Services			
			Property, plant and equipment		
				Construction installation labor	Construction services and labor associated with installation or refurbishment
				Architects	Professional fees
				Facility consulting	Facility consulting (facility ops, energy, environmental, health and safety, etc.)
				Facility outsourced services	Facility outsourcing services NOT including facilities maintenance, security, custodial, copy/print

Level 1	Level 2	Level 3	Level 4	Level 5	Description
			Property, plant and equipment - management and maintenance		
				Property, rent and service charges by landlords	Property management, estates and lease expenses, paid to property owners.
				Cleaning and janitorial	Housekeeping and related maintenance services
				Facility maintenance	Repairs to and other operating expenses for buildings
				Property maintenance	Other repair and maintenance operations, e.g., security and lock repair, glass repair
				Quality surveyor/ managing agents	Professional fees
				HVAC (heating, air conditioning services)	HVAC repair
				Elevator services	Elevator repair and maintenance
				Facility alarms	Alarm repair and maintenance
				Lawn maintenance/ landscaping	External landscaping, interior plants
				Pest control	Insects, rodent extermination
				Security	Security services
				Snow removal	Snow plowing, walkway clearing
				Insurance	Property insurance
				Other	e.g., safety and regulatory fees
			Property – utilities		
				Water/sewer utility	Water/sewer utility service fees
				Waste and environmental management	Includes waste disposal
				Electricity	Power and related fees for non manufacturing/ production operations
				Natural gas	Gas products and services for non-manufacturing/production operations
				Cable/satellite television	Cable/satellite television fees

Level 1	Level 2	Level 3	Level 4	Level 5	Description
	IT and Telecom	Materials			
			IT – hardware, consumables		
				Printers	Printing-related hardware
				IT consumables	Variable and replaceable items, e.g., toner cartridge, discs
				IT desktop hardware	PCs/laptops/modems/peripherals
				IT network infrastructure/mainframe hardware	Servers, storage, routers, switchers, repeaters, CPU, DASD, tape, line provision
				IT midrange hardware	CPU
			IT – software		
				IT mainframe software	Database, development, middleware, testing
				IT midrange software	Database, development, middleware, systems, testing
				IT desktop software	Desktop software products
				IT ERP software	Enterprise resource planning, manufacturing resource planning, customer relationship mgmt
		Services			
			Telecom (voice and data)		
				Telecom – cellular	Cellular charges
				Telecom – equipment	Equipment charges
				Telecom – line charges	Fees associated with long distance, local, WAN/LAN, domestic & international
				Telecom – infrastructure services	Telecom management, phone installation, line management
			IT – services		
				IT hardware maintenance	Maintenance bought separately from hardware
				IT outsourcing	Desktop and interconnectivity outsourced
					All customer interfacing IT software and project installation outsourced
					Application development, application management, hosting, operations management
				IT consulting	Consultancy fees for IS project management
				Document management	Archiving services, electronic data storage, microfiche products and management



				IT software – systems mgmt	System services, disaster recovery, security management services
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Level 1	Level 2	Level 3	Level 4	Level 5	Description
	Sales and Marketing Support	Materials			
			Marketing – print		
				Printed publications	Includes all company magazines, annual reports, customer consumables (leaflets, flyers, campaign material) and flat posters
				Printed display material	Cardboard and high density marketing material
				Promotional goods	Selected branded items, non-flat print items
		Services			
			Marketing – professional agency		
				Advertising agency	Creative agency fees; media strategy and planning fees.
				Media fees	Newspaper and TV advertising
				Design services	Design studios/film studios/graphic design/photographic services
				Media design	Specialist flat media design services
				Copywriter	Text services, ghost writing, translations
				Public relations	PR agencies
				Marketing consulting	Specific consultancy fees relating to marketing operations
			Other		Internet website development and hosting
					Corporate sponsorships
					Third-party market development funds
					Third-party marketing communications
					Customer shows
					Direct marketing
					Sales promotions
					Business gifts
			Marketing – data support		
				Marketing research and data search	Direct market research companies, marketing data search companies
				Consumer credit agency and consumer database search	Consumer database search and information companies, credit ratings companies
				Business information supply	Search engines, newsfeeds, general business information companies

Level 1	Level 2	Level 3	Level 4	Level 5	Description
	General Equipment and Supplies				
		Materials			
			Engineering supplies		Engineering and design supplies (i.e., lab supplies – includes research supplies, materials consumed during product development efforts)
			Office furniture and equipment		
				Office equipment	Fax, photocopy and other office equipment
				Mailroom	Mail room services, internal distribution
				Office furniture	Desks, tables, fixtures and furnishings
				Audio visual equipment	Projectors/audiovisual
			Office supplies		
				General office stationary and supplies	Office supplies including pens, paper clips, etc.
				Branded stationery	Exclusively manufactured items
				Copy paper	Office machine paper
			Catering and food		
				Food equipment	Food equipment and related services
				Food services	Onsite catering services including cost of labor, space and food items
		Services			
			Maintenance		General equipment maintenance
			Leases		Rents and leases of office equipment (e.g. leasing copiers)
	Travel and Entertainment				
		Services			
			Airline travel		Airfare and related charges for travel via domestic & international airlines
			Car rental		Car rental charges
			Travel agency services		Agency fees related to the purchase of travel (air, hotel, cars)
			Lodging		Hotels and motels
			Meals, entertainment		Food bills not paid for as catering professional services and internal/client entertainment
			Other		

Level 1	Level 2	Level 3	Level 4	Level 5	Description
	HR Services				
		Services			
			Executive search firms		Typically retainer-based, senior-level search
			Employee recruitment		Recruitment related to any open position not related to an executive position
			Payroll services		Payroll administration and time and attendance
			Drug screening		
			Background checks		
			Benefit services		Benefits, e.g., insurance, physical examinations and physiological tests
				Health and welfare insurance and claims processing	Medical/health related - includes insurance companies, medical health check services, individual doctor fees (includes insurance services procured for internal coverage) for current employees and retirees
				Pension/Savings management services	Pension professional service provision; excludes pension payout expense
			Career counseling/outplacement services		Externally provided HR support
			HR consulting		HR consulting project work w/fixed deliverables (comp and benefits, global inclusion and diversity, workforce development, etc); excludes training design, delivery
			Employee retention		Includes service awards, staff functions, team building activities
			Training development and delivery		Training companies, e-learning
				External training	External college training, fees associated with attending conference and events (across all functional areas)
				Internal training	e-learning, library, books, library management (except market research literature)
			Professional memberships/trade associations		Professional association and educational memberships (across all functional areas)

Level 1	Level 2	Level 3	Level 4	Level 5	Description
	Business and Administrative Services	Services			
			Temporary and agency staff		Staff augmentation, e.g., contingent administrative labor
			Professional		
				Consulting	Strategy consulting, business consulting, project management (non IT, non HR)
					Includes engineering, design, and supply chain consulting
				Audit	Audit fees
				Accounting	Externally provided accountancy services
				Tax consulting, preparation	Tax consulting, tax research, tax preparation
				Legal	Attorneys, legal services (includes mediation and other labor relations)
				Debt recovery	Agency recovery, debt management (exp/fees for third-party recovery management)
				Other professional	Not listed above
			Mail/Courier		
				Postage	Postal costs and service, package delivery, specialist packaging material not found in a typical stationery cupboard, boxing and strapping
				Overnight letter/package services	All courier deliveries except movement of cash
				Other freight	Indirect inbound goods
				Secure transport/cash handling services	Guarded movement of cash, e.g., armored cars
			Other administrative		
				Uniforms	Apparel and shoe suppliers and repairers
				Treasury fees and services	Brokerage, transmission services, investment and financial service fees
				Other industry specific charges and services	
				Relocation	Relocation services for moving office furniture, employees and associated items to new location