# Sourcing Process Lifecycle and Best Practices

## Introduction

This document provides a detailed overview of the sourcing process lifecycle, broken down to Level 3 subprocesses, and tailored for ERP implementation. It includes best practices and variations in subprocess steps based on industry differences.

## End-to-End Process Flow Diagram

The following diagram represents the entire sourcing process lifecycle, including all phases and subprocesses.

## Phase 1: Sourcing Strategy & Planning

### 1.1 Define Sourcing Goals

Defining sourcing goals is the first step in the sourcing strategy and planning phase. This involves identifying cost-saving opportunities, setting quality benchmarks, fostering innovation, and mitigating risks. Cost-saving opportunities can be identified through bulk purchasing, negotiating better terms with suppliers, and optimizing the supply chain. Quality benchmarks ensure that the products and services sourced meet the required standards. Fostering innovation involves collaborating with suppliers to develop new products and solutions. Risk mitigation includes assessing potential risks and implementing strategies to minimize them.

### 1.2 Analyze Spend and Supplier Base

Analyzing spend and supplier base is crucial for understanding the current sourcing landscape. This involves conducting spend analysis to identify areas of high expenditure, segmenting suppliers by category to understand their roles and importance, and evaluating supplier performance to ensure they meet the required standards. Spend analysis helps in identifying cost-saving opportunities and areas for improvement. Segmenting suppliers by category allows for better management and prioritization. Evaluating supplier performance ensures that suppliers are reliable and meet the required quality standards.

### 1.3 Align Sourcing Strategy with Business Objectives

Aligning sourcing strategy with business objectives ensures that the sourcing activities support the overall goals of the organization. This involves collaborating with stakeholders to understand their needs and expectations, developing a sourcing roadmap that outlines the steps and timelines for achieving the sourcing goals, and integrating the sourcing strategy with the business plans to ensure alignment and coherence. Collaboration with stakeholders ensures that their needs and expectations are considered in the sourcing strategy. Developing a sourcing roadmap provides a clear plan for achieving the sourcing goals. Integrating the sourcing strategy with business plans ensures that the sourcing activities support the overall goals of the organization.

### Industry Variations

The sourcing process can vary significantly based on industry and scale of business. Below are some examples of how subprocess steps may differ across industries:

#### Manufacturing

In the manufacturing industry, sourcing often involves complex supply chains and a focus on cost reduction, quality control, and supplier reliability. Subprocess variations include emphasis on cost-saving opportunities through bulk purchasing, detailed market analysis for raw materials, use of ERP systems for detailed RFx creation with technical specifications, and integration with production planning modules.

#### IT Services

In the IT services industry, sourcing is often project-based with a focus on agility, innovation, and time-to-market. Subprocess variations include focus on fostering innovation through strategic partnerships, rapid supplier onboarding, agile RFx management, and project-based purchase order creation.

#### Healthcare

In the healthcare industry, sourcing must comply with strict regulatory requirements and ensure the availability of critical supplies. Subprocess variations include emphasis on risk mitigation and compliance, comprehensive compliance checks for regulatory adherence, RFx creation with regulatory requirements, and integration with quality management modules.

#### Public Sector

In the public sector, sourcing processes are often governed by strict procurement regulations and transparency requirements. Subprocess variations include collaboration with multiple stakeholders for alignment, use of ERP systems for transparent supplier discovery, compliance with public procurement regulations in RFx management, and reconciliation and audit compliance.

## Phase 2: Supplier Identification & Qualification

### 2.1 Market Research and Supplier Discovery

Market research and supplier discovery involve identifying potential suppliers, conducting market analysis, and using ERP systems for supplier discovery. Identifying potential suppliers involves researching and identifying suppliers that can meet the organization's needs. Conducting market analysis helps in understanding the market trends and identifying the best suppliers. Using ERP systems for supplier discovery streamlines the process and ensures that the suppliers meet the required standards.

### 2.2 Pre-qualification and Compliance Checks

Pre-qualification and compliance checks involve evaluating supplier credentials, conducting compliance checks, and using ERP systems for pre-qualification. Evaluating supplier credentials ensures that the suppliers have the necessary qualifications and experience. Conducting compliance checks ensures that the suppliers comply with the regulatory requirements. Using ERP systems for pre-qualification streamlines the process and ensures that the suppliers meet the required standards.

### 2.3 Supplier Onboarding in ERP

Supplier onboarding in ERP involves collecting supplier information, validating supplier data, and onboarding the supplier in the ERP system. Collecting supplier information involves gathering all the necessary information about the supplier. Validating supplier data ensures that the information provided by the supplier is accurate and complete. Onboarding the supplier in the ERP system involves entering the supplier information into the system and ensuring that the supplier is ready to start working with the organization.

### Industry Variations

The supplier identification and qualification process can vary significantly based on industry and scale of business. Below are some examples of how subprocess steps may differ across industries:

#### Manufacturing

In the manufacturing industry, supplier identification and qualification often involve detailed market analysis for raw materials, comprehensive compliance checks for regulatory adherence, and integration with production planning modules.

#### IT Services

In the IT services industry, supplier identification and qualification often involve rapid supplier onboarding, agile RFx management, and project-based supplier evaluation.

#### Healthcare

In the healthcare industry, supplier identification and qualification often involve comprehensive compliance checks for regulatory adherence, RFx creation with regulatory requirements, and integration with quality management modules.

#### Public Sector

In the public sector, supplier identification and qualification processes are often governed by strict procurement regulations and transparency requirements. Subprocess variations include collaboration with multiple stakeholders for alignment, use of ERP systems for transparent supplier discovery, and compliance with public procurement regulations.

## Phase 3: RFx Management (RFI, RFQ, RFP)

### 3.1 Create and Publish RFx Documents

Creating and publishing RFx documents involves drafting RFx documents, using ERP systems for RFx creation, and publishing RFx to suppliers. Drafting RFx documents involves creating detailed requests for information, quotes, or proposals. Using ERP systems for RFx creation streamlines the process and ensures that the RFx documents meet the required standards. Publishing RFx to suppliers involves sending the RFx documents to potential suppliers and inviting them to respond.

### 3.2 Collect and Evaluate Responses

Collecting and evaluating responses involves receiving supplier responses, evaluating responses using ERP systems, and shortlisting suppliers. Receiving supplier responses involves collecting the responses from suppliers. Evaluating responses using ERP systems involves analyzing the responses to ensure they meet the required standards. Shortlisting suppliers involves selecting the best suppliers based on the evaluation criteria.

### 3.3 Score and Shortlist Suppliers

Scoring and shortlisting suppliers involves developing scoring criteria, scoring supplier responses, and finalizing the shortlist. Developing scoring criteria involves creating a set of criteria to evaluate the supplier responses. Scoring supplier responses involves assigning scores to the responses based on the criteria. Finalizing the shortlist involves selecting the best suppliers based on the scores.

### Industry Variations

The RFx management process can vary significantly based on industry and scale of business. Below are some examples of how subprocess steps may differ across industries:

#### Manufacturing

In the manufacturing industry, RFx management often involves detailed RFx creation with technical specifications, comprehensive evaluation of supplier responses, and integration with production planning modules.

#### IT Services

In the IT services industry, RFx management often involves agile RFx creation, rapid evaluation of supplier responses, and project-based supplier selection.

#### Healthcare

In the healthcare industry, RFx management often involves RFx creation with regulatory requirements, comprehensive evaluation of supplier responses, and integration with quality management modules.

#### Public Sector

In the public sector, RFx management processes are often governed by strict procurement regulations and transparency requirements. Subprocess variations include compliance with public procurement regulations in RFx management, transparent evaluation of supplier responses, and reconciliation and audit compliance.

## Phase 4: Negotiation & Contracting

### 4.1 Conduct Negotiations

Conducting negotiations involves preparing negotiation strategy, negotiating terms and conditions, and using ERP systems for negotiation tracking. Preparing negotiation strategy involves creating a plan for the negotiation process. Negotiating terms and conditions involves discussing and agreeing on the terms and conditions with the suppliers. Using ERP systems for negotiation tracking involves monitoring the negotiation process to ensure it meets the required standards.

### 4.2 Draft and Approve Contracts

Drafting and approving contracts involves drafting contract documents, reviewing and approving contracts, and storing contracts in ERP systems. Drafting contract documents involves creating detailed contracts that outline the terms and conditions. Reviewing and approving contracts involves ensuring that the contracts meet the required standards and obtaining approval from relevant stakeholders. Storing contracts in ERP systems involves uploading the contracts to the system and maintaining a contract repository.

### 4.3 Store Contracts in ERP Repository

Storing contracts in ERP repository involves uploading contracts to ERP systems, maintaining contract repository, and ensuring contract compliance. Uploading contracts to ERP systems involves entering the contract information into the system. Maintaining contract repository involves keeping the contracts organized and accessible. Ensuring contract compliance involves monitoring the contracts to ensure they meet the required standards.

### Industry Variations

The negotiation and contracting process can vary significantly based on industry and scale of business. Below are some examples of how subprocess steps may differ across industries:

#### Manufacturing

In the manufacturing industry, negotiation and contracting often involve detailed negotiation of technical specifications, comprehensive review of contract documents, and integration with production planning modules.

#### IT Services

In the IT services industry, negotiation and contracting often involve agile negotiation processes, rapid approval of contract documents, and project-based contract management.

#### Healthcare

In the healthcare industry, negotiation and contracting often involve negotiation of regulatory requirements, comprehensive review of contract documents, and integration with quality management modules.

#### Public Sector

In the public sector, negotiation and contracting processes are often governed by strict procurement regulations and transparency requirements. Subprocess variations include compliance with public procurement regulations in negotiation and contracting, transparent review of contract documents, and reconciliation and audit compliance.

## Phase 5: Purchase Execution

### 5.1 Convert Sourcing Decisions into Purchase Orders

Converting sourcing decisions into purchase orders involves creating purchase orders in ERP systems, approving purchase orders, and issuing purchase orders to suppliers. Creating purchase orders in ERP systems involves entering the order information into the system. Approving purchase orders involves obtaining approval from relevant stakeholders. Issuing purchase orders to suppliers involves sending the orders to the suppliers and confirming the details.

### 5.2 Monitor Order Fulfillment and Delivery

Monitoring order fulfillment and delivery involves tracking order status, managing delivery schedules, and using ERP systems for order tracking. Tracking order status involves monitoring the progress of the orders to ensure they are fulfilled on time. Managing delivery schedules involves coordinating with suppliers to ensure timely delivery. Using ERP systems for order tracking involves monitoring the orders to ensure they meet the required standards.

### 5.3 Integrate with Inventory and Finance Modules

Integrating with inventory and finance modules involves updating inventory records, processing supplier invoices, and reconciling payments in ERP systems. Updating inventory records involves entering the order information into the inventory system. Processing supplier invoices involves verifying and approving the invoices. Reconciling payments in ERP systems involves ensuring that the payments are accurate and complete.

### Industry Variations

The purchase execution process can vary significantly based on industry and scale of business. Below are some examples of how subprocess steps may differ across industries:

#### Manufacturing

In the manufacturing industry, purchase execution often involves detailed tracking of order status, comprehensive management of delivery schedules, and integration with production planning modules.

#### IT Services

In the IT services industry, purchase execution often involves agile order tracking, rapid management of delivery schedules, and project-based inventory management.

#### Healthcare

In the healthcare industry, purchase execution often involves tracking of regulatory requirements, comprehensive management of delivery schedules, and integration with quality management modules.

#### Public Sector

In the public sector, purchase execution processes are often governed by strict procurement regulations and transparency requirements. Subprocess variations include compliance with public procurement regulations in purchase execution, transparent tracking of order status, and reconciliation and audit compliance.

## Phase 6: Supplier Performance & Relationship Management

### 6.1 Track KPIs

Tracking KPIs involves defining performance metrics, monitoring supplier performance, and using ERP systems for KPI tracking. Defining performance metrics involves creating a set of criteria to evaluate supplier performance. Monitoring supplier performance involves tracking the progress of the suppliers to ensure they meet the required standards. Using ERP systems for KPI tracking involves analyzing the performance data to ensure it meets the required standards.

### 6.2 Conduct Periodic Reviews

Conducting periodic reviews involves scheduling performance reviews, reviewing supplier performance, and documenting review outcomes. Scheduling performance reviews involves creating a plan for the review process. Reviewing supplier performance involves analyzing the performance data to ensure it meets the required standards. Documenting review outcomes involves recording the results of the reviews and maintaining a review repository.

### 6.3 Manage Supplier Development and Risk

Managing supplier development and risk involves identifying development opportunities, implementing improvement plans, and monitoring and mitigating risks. Identifying development opportunities involves researching and identifying areas for improvement. Implementing improvement plans involves creating a plan for the development process. Monitoring and mitigating risks involves assessing potential risks and implementing strategies to minimize them.

### Industry Variations

The supplier performance and relationship management process can vary significantly based on industry and scale of business. Below are some examples of how subprocess steps may differ across industries:

#### Manufacturing

In the manufacturing industry, supplier performance and relationship management often involve detailed tracking of performance metrics, comprehensive review of supplier performance, and integration with production planning modules.

#### IT Services

In the IT services industry, supplier performance and relationship management often involve agile tracking of performance metrics, rapid review of supplier performance, and project-based supplier development.

#### Healthcare

In the healthcare industry, supplier performance and relationship management often involve tracking of regulatory requirements, comprehensive review of supplier performance, and integration with quality management modules.

#### Public Sector

In the public sector, supplier performance and relationship management processes are often governed by strict procurement regulations and transparency requirements. Subprocess variations include compliance with public procurement regulations in supplier performance and relationship management, transparent tracking of performance metrics, and reconciliation and audit compliance.