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supply management**

Services Group

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SERVICES GROUP

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Services Group

The center of excellence for service procurement

www.ismservicesgroup.org

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Message from Peter E. O'Reilly, DPS, C.P.M., Chairperson, Services Group

Dear Purchasing Professional:

In 2000 a number of us wanted to create an organization within ISM that would have a focus on purchasing professionals working in the various services sectors of the economy and or who source services. Thus, the Services Group was founded. From the original eight members, the Services Group now has over 1,700 members.

One of the earliest decisions of the Services Group was to develop an annual conference on services. December of 2010 marks the Services Group's eleventh Services Conference, held in conjunction with ISM. When the Services Group was formed in New Orleans in 2000, it was the hope and expectation of those founding members that such events as the Services Conference would be a source of knowledge on topics relevant to not just supply chain management in general, but, specifically, to the sourcing of services as well.

Indeed, over the past years the Services Conference, its speakers, sponsors, and participants have generated a good deal of discussion on cutting edge services-related topics. For that we thank all of these resources for sharing their experiences and knowledge.

The Services Group has used much of the revenue from the Services Conference to provide scholarships to deserving students in SCM programs within five universities. This year we will award 16 scholarships of \$2,000 each to SCM students. In addition, during this year's Services Conference, there will again be a case study analysis in services involving the five colleges and the scholarship winners. These endeavors fulfill the Services Group wish to invest in the future of our profession.

This year's Services Conference will also mark my last event as the Chairperson of the Services Group, as I am retiring on January 1st of 2011. I want to thank the dedicated purchasing professionals who have served on the Services Group's Leadership Council both in 2010 and over the years since 2000. They are truly the reason why the Services Group has achieved so many good things for our field of work.

Dr. Peter O'Reilly, C.P.M.
Chairperson- ISM Services Group

**JOIN US! AT THE SERVICES GROUP ANNUAL MEETING, THURSDAY,
DECEMBER 2, AT 5:15 to 5:45 PM, Room Salon G/Grande Ballroom**

Agenda

- **Introductions**
- **Membership vote on Rules of Management for ISM Services Group**
- **Reports of Officers and Committees**
- **Election of Officers**
- **Unfinished Business / New Business / Announcements**
- **Adjournment**

Coming Soon.....

**Re-design of ISM Services Group Website!
www.ismservicesgroup.org**

Successful Contracting: Getting Beyond the Basics

Author:
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3 Essential Strategies

Today's supply management organizations face ever-increasing challenges: Workloads are heavy, expectations are high and qualified high-capacity staff is sometimes hard to find. In this "pressure cooker" environment, the management team at your organization must look beyond traditional supply chain processes and embrace the underlying value proposition in contracting.

Three critical strategies can help you mine the contracting function's potential value:

1. Make sure time and resources are committed to the process.

Within the supply management function, it seems like time is always in short supply. This is unfortunate, because an *effective* sourcing event can take two months to a year — or even longer — depending on the complexity of the product or service being sourced.

Each component of the contracting process is equally important, including:

- Identifying and assembling a sourcing team
- Scope-of-work development
- Market research/identification of potential suppliers
- RFP development and issuance
- Proposal analysis
- Negotiations
- Contract award



- Ongoing contract administration

While these contracting elements are not always viewed as distinct events, each is a standalone component of the overall process. Compressing any one of them will result in less-than-optimal results.

Moreover, contract award is just the beginning of the supplier-buyer relationship; post-award administration of the relationship is crucial and takes a significant amount of time and resources. Many organizations go to great lengths to write effective contracts only to throw them in a drawer, where they remain until a problem arises. A significant amount of opportunities are lost this way.

As supply management professionals, how do we deal with the ongoing problem of insufficient resources allocated for sourcing and contract management? Primarily, we must:

- *Devote a sufficient amount of resources to the process.* Do not shortchange it. Four contract negotiators cannot effectively do the work of eight. Organizations that devote adequate time and resources to the contracting process will save money, mitigate risk and maximize value.
- *Try to convince upper management to integrate the contracting process into all areas of the organization.* This should be a fairly easy argument to make, given the return on investment (purchasing budget versus savings) that supply management departments typically deliver to an organization's bottom line. Measure and report your results to management. Don't make them guess about your value.
- *Continuously work to drive the perception of supply management as a strategic component of a go-to-market strategy.*

2. Gain insight into your suppliers.

We all need the right kind of information to effectively perform our jobs. With the Web at our fingertips, gathering insight on our suppliers seems like a no-brainer. The challenge, then, is to find the *right* information.

The right kind of information digs into the heart and soul of a supplier's organization, where the truth about that supplier resides. Beyond the traditional quantitative and qualitative analysis part of the sourcing process, supply management professionals need "soft-skills" insight into a supplier's organization. Look for information that indicates:

- How the supplier has performed for other customers
- Its key decision-makers and how they impact outcomes — in other words, who has the power?
- How it manages its supply chain
- What its own staff thinks about their employer

Ultimately, this type of information will give you better insight into how a supplier is likely to perform over time and how to handle potential problems in the relationship. Virtually any supplier can put a compelling proposal together, but how will it perform after the contract is awarded? While service-level agreements can measure key aspects of a supplier's performance, a strong argument can be made that its soft skills are what really matter in the final analysis. This is "where the rubber meets the road," so to speak.

Successful Contracting: Getting Beyond the Basics Cont.



Without executive support, the supply management function at your organization cannot realize its full potential as a profit center.

So, how can you gain this all-important insight? Simple: Ask the tough questions, and find the right answers. A few suggestions to get you started:

- *While making a pre-award visit, talk to some of the employees (not just the proposal team) to gauge their level of job satisfaction. Their feelings will probably mirror your own satisfaction level with that supplier over time.*
- *Contact some of the supplier's suppliers to establish their reputation within their own supply chain. How they manage those relationships is a strong*

indicator of their relationship culture and philosophy.

- *Find out if the supplier's employees are empowered to make decisions.* I recently rejected an opportunity to work for an organization based on two factors: 1) my less-than-stellar perception of their corporate culture and 2) the fact that none of the employees felt empowered. The thought of working there was very unappealing, and so was the possibility of establishing a supplier relationship with that organization.

3. Solidify management's support.

The contracting process can be a competitive advantage if the entire organization recognizes its value and lends its support. This can take many forms, including:

- A unified management team that presents one face to the supplier organization
- An appropriately staffed cross-functional sourcing team working in unison
- Adequate training for team members

- Established, clear roles within the process

As supply management professionals, we all experience suppliers that work around us in an effort to gain an advantage. Additionally, most of us deal with internal customers that fail to recognize the value of the sourcing process and do not get us involved until the last possible moment, if at all.

The management team must see beyond the surface of basic contracting functions; it must recognize the value the process brings to the bottom line. Then, these executives must commit the required resources to the process and support it at the highest levels of the organization.

Without three components — time, information and support — the supply management function at your organization cannot realize its full potential as a profit center. Conversely, companies that embrace the supply management function as a key driver of business success will enjoy a competitive advantage.

2009 ISM Services Conference Pictures



www.ismservicesgroup.org

ISM Services Group Names 2010 Scholarship Winners
Sixteen supply management students honored at 11th Annual Services Conference.

Tempe, Ariz.) December 2, 2010 — Sixteen students representing top supply management programs at five universities were honored today at the 11th Annual ISM Services Conference at The Pointe Hilton Tapatio Cliffs Resort, Phoenix. The conference was hosted by Institute for Supply Management™ (ISM)'s Services Group.

Scholarship recipients exemplify the very best in educational achievement and future of the supply management profession. Each scholar received \$2,000 plus sponsored registration and travel allowance to attend the ISM Services Conference taking place December 2-3, 2010 in Phoenix. The following students were named 2010 ISM Services Group Scholarship winners:

- **Ana Acosta, Matthew Leung, Stephen Sharr, Debbi Wan: Arizona State University — W. P. Carey School of Business**
- **Jason Tan, Josh DeBlaay, Ashley Kincaid: Michigan State University — The Eli Broad College of Business**
- **Jaysai Ghayai, Mikhail Naumov, Arnab Senguta: Rutgers Business School — Center for Supply Chain Management**
- **Brittany Berg, Thomas Amarante, Kaelen McCrane: University of San Diego School of Business Administration — Supply Chain Management Institute**
- **Chelsey Meyer, Trisha Terns, Peter Lyngstad: Western Michigan University (WMU) — Haworth College of Business**

The ISM Services Group is one of several groups comprised of ISM members with common interests in education and networking in various topics. Members are either in service industries or supply management professionals who buy services. The Services Group's University Relations efforts focus on four main areas: mentoring, internships, scholarships and on-site activities. Visit ISM Services Group online at <http://www.ismservicesgroup.org>.



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Be engaged, advance your career.

Would you like to "**Get Involved**" and become more active in the ISM Services Group by serving on a Committee?

Each Committee will usually meet periodically, via conference call, so there is not a great deal of a time commitment. What is vital is gaining your insights on how the ISM Services Group can interact more with its members. In other words, increase our value added to our members. Please send your response to:

getinvolved@ismservicesgroup.com.