




Diagnosing Your Consulting Procurement Maturity



*" We are what we
repeatedly do.
Excellence then, is not
an act, **but a habit.***
-ARISTOTLE-

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Key Takeaways

1

You can evaluate the Maturity of your Consulting Sourcing Capability and identify your level of Maturity: Operational, Standard, Leading and Best-in-Class.

2

To reach the next levels, you can play with four levers: Strategy, Process, Enablers and Category Management.

3

Start by measuring where you are and determining when you want to go.

4

Implementing a sustainable Performance Management system is instrumental in reaching the highest levels of maturity.

5

Understanding and managing the Consulting category will allow you to unlock Value and Savings for your organization.

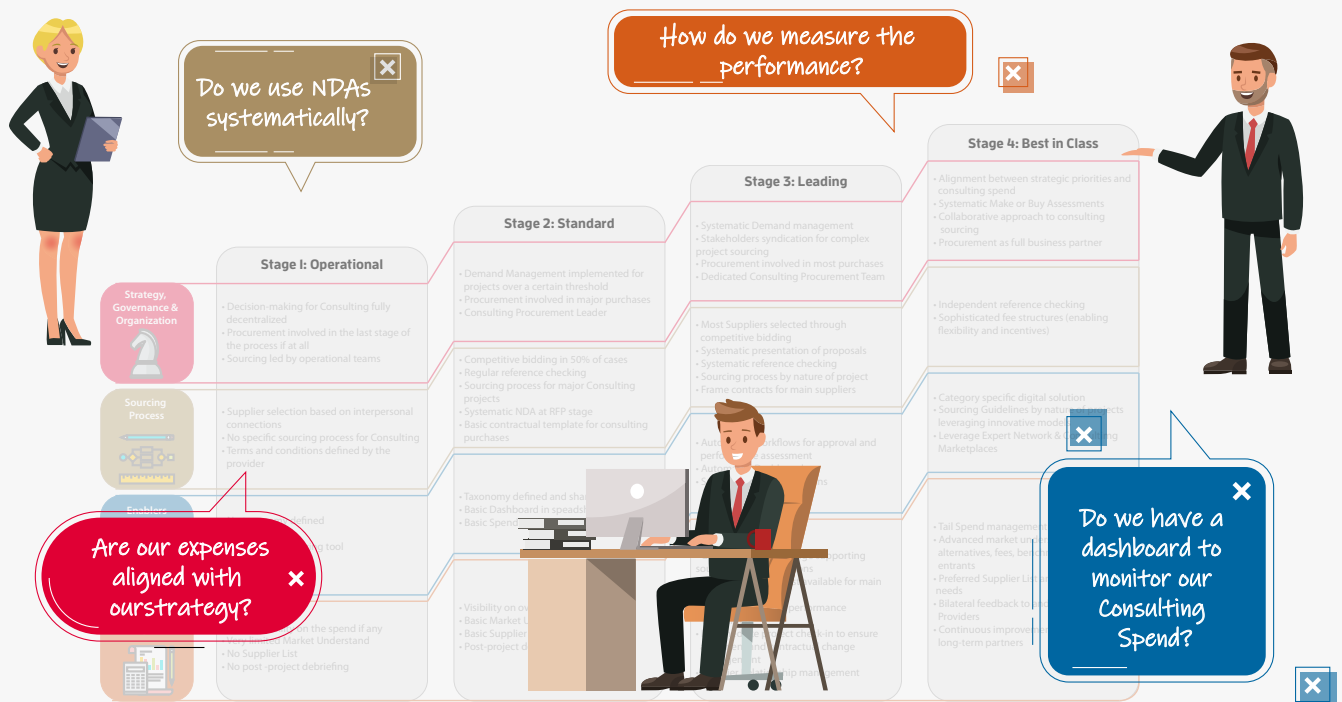
Is your Consulting Spend aligned with your strategy?

Is your Consulting Spend aligned with your strategy? Do your teams have an advanced understanding of the Consulting Market including trends and fee benchmarks? Did you implement dynamic management of your Consulting Panel? Do you use Demand Management to control your Consulting Spend?

The answers to these questions will help you assess the Maturity of your Consulting Sourcing Capability.

Consulting Procurement Organizations should aim to reach a high level of maturity, where the team is using best-in-class practices and brings significant efficiency gains for the Procurement group and company as a whole. But before an organization can draw their path to excellence, it must first evaluate where it stands today on the Maturity Grid.

Understanding the starting point of your Consulting Procurement Journey is probably as important as defining where you want to go.





A **maturity** grid to understand your starting point

The purpose of the Consulting Procurement Maturity grid is to help organizations understand where they are today, where they should go in the future and the Value of doing so, and how to get there. Organizations typically fall into one of four levels when it comes to procuring Consulting Services.

1

Operational

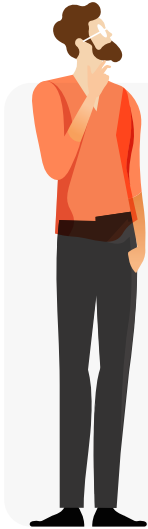
An Operational Organization has not implemented specific processes for Consulting Services. Most often the Consulting Spend is entirely decentralized and the sourcing managed by the operational teams. As a result, the organization has partial visibility on the Consulting Spend and doesn't use a dashboard or a spend monitoring tool for Consulting.

The Procurement Group is involved at the last stage of the process if at all. The teams have limited knowledge of the Consulting Market, often focused on local players.

The Supplier selection is based on interpersonal connections, and the Terms and conditions are set by the provider.

The Consulting Category is not managed, and the potential for Savings and improvement are significant.

2.5
Average
Maturity
Score



2

Standard

A Standard Organization has started putting in place processes to manage the major Consulting project. The Overall Consulting Spend is checked regularly with a basic Dashboard in a spreadsheet.

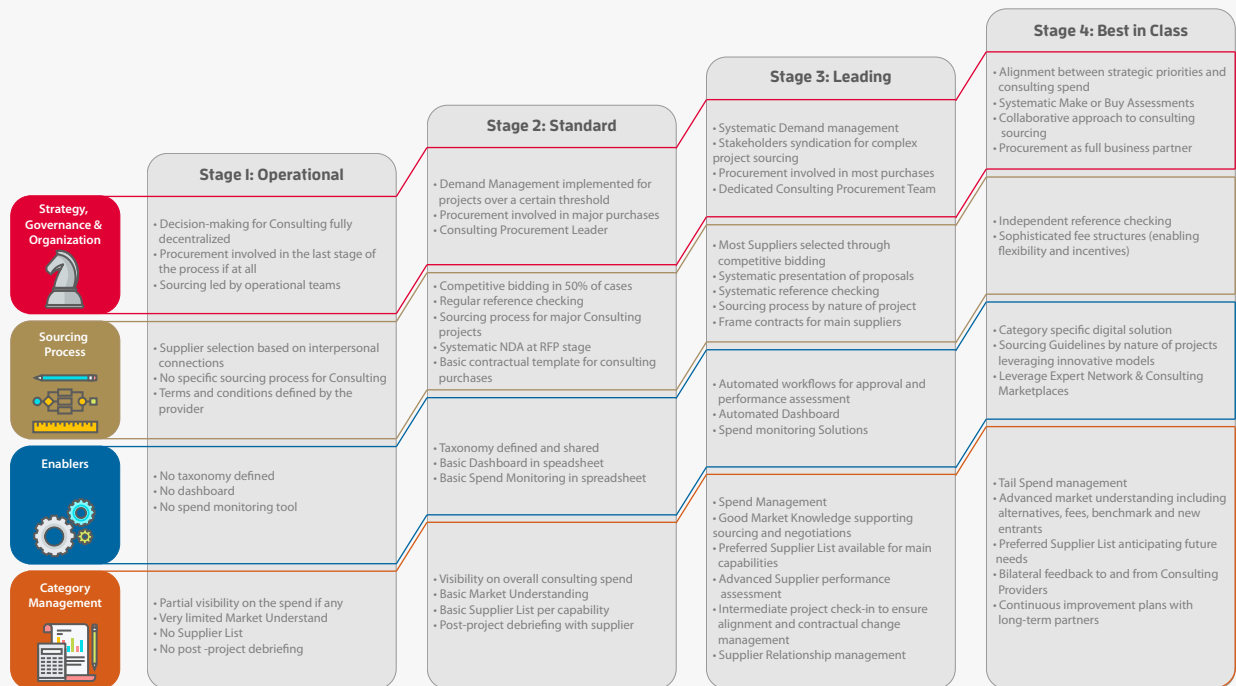
Demand management is implemented for projects over a certain threshold. There is a defined Consulting Procurement Leader and the Procurement is involved in major purchases. Even though they have a limited understanding of the Consulting Market, the teams can organize competitive bidding in 50% of the projects and require references during the RFP Process.

They have put in place systematic NDA at the RFP stage and defined a basic Contractual template for Consulting purchases. They perform postproject debriefing with the supplier to manage the relationship.

The organization sees the Value of managing Consulting Sourcing. The strategic Value gap begins closing as the Capabilities for Consulting Procurement start to increase. Teams develop an understanding of the specificity of the Consulting Market.

M
A
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T
Y





3 Leading

The Leading Organization has put in place a solid Category Management for Consulting Services. For complex projects, the stakeholders are gathered to ensure alignment and buy-in. There is a dedicated Consulting Procurement Team, with a basic market knowledge supporting sourcing and negotiations. Procurement is involved in most purchases.

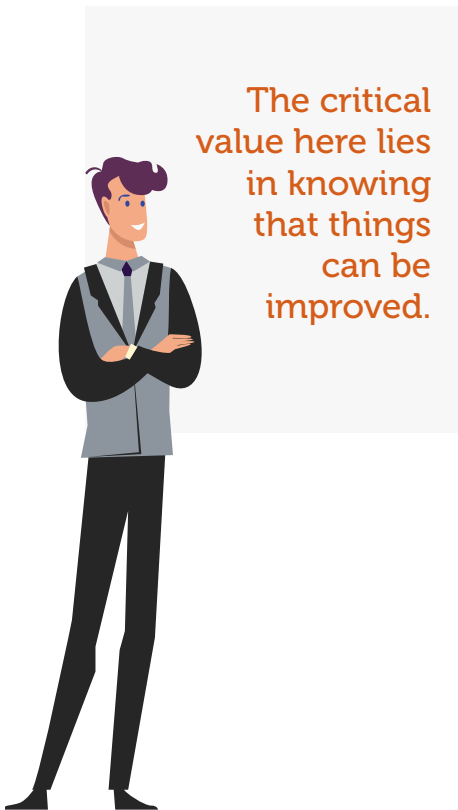
Most Suppliers are selected through competitive bidding with a systematic presentation of the most promising proposals and reference checking. The Consulting Procurement team uses frame contracts for the main suppliers.

The organization has put in place Sourcing Processes by nature of projects and systematic Demand Management. A Preferred Supplier List is available for the main Capabilities.

The Procurement team has developed a Performance Management System including intermediate project check-in to ensure alignment and contractual change management and advanced post-assignment performance assessment (expertise, posture, ROI, ...).

The organization has put in place automated workflows for approval and performance assessment, automated dashboard and spend monitoring.

The organization is one step shy of having a fully mature Consulting Sourcing Capability. The strategic framework to make this happen is complete, and the organization is ready to begin implementing the next level.



4

Best in class

A Best-in-Class Organization has developed a fully mature Consulting Procurement Capability. The Consulting Spend and the Consulting Sourcing Strategy are aligned with the strategic priorities of the organization. Procurement is recognized as a full business partner for the Consulting Category.

The teams perform systematic make or buy assessment by and staffing to ensure the alignment with the strategy and keep the spend under control. They have a collaborative approach to Consulting sourcing.

The teams have now an advanced understanding of the market including alternatives, Fees benchmark, and new entrants. They are implementing sophisticated Fees structure (enabling flexibility and incentives) and frame contracts.

They manage the Performance of their suppliers through systematic performance reviews and continuous improvement plans with long-term partners.

They use a third-party measure of the performance and reference checking to increase the objectivity and leverage benchmarking. They have put in place continuous improvement plans with their long-term partners.

They are managing the Tail Spend and maintaining a dynamic Preferred Supplier List anticipating the future needs of the organization.

They have adopted Category Specific Solutions and developed sourcing guidelines by nature of projects leverage innovation models. They leverage Experts Network and Consulting Marketplaces to handle micro-projects.

The Consulting Sourcing Capability is now at the highest level of Maturity. The organization sees now the most significant benefits of managing the Consulting Category. The ROI of the project and internal Satisfaction has increased. The Procurement team is now seen as a strategic partner for the category and the Consulting Spend in under control

1.4%

Part of the revenues spend in Consulting on average



What should **you look at?**

The maturity grid touches upon four key areas that are essential to Consulting Procurement:



Strategy, Governance & Organization

How decisions are made, who is involved and how consulting supports the strategy.



Sourcing Process

Various best practices on the Sourcing Process from scoping to contracting.



Enablers

All key enablers for consulting sourcing from taxonomy to digital solutions.



Category Management

Key elements for an efficient category management from market knowledge to performance improvement.



Define **where** you want to go

*For large companies,
the best-in-class
maturity level should
be the end game in the
transformation journey*



They are already familiar with Strategic Sourcing, Demand Management, and Category Management. They are spending hundreds of millions of dollar every year on Consulting Projects and can get significant Savings and quality improvement by implementing best-in-class Consulting Procurement practices.

Mid-Market Companies, spending roughly \$5M to \$30M in Consulting every year, should aim somewhere between the Leading and the Best-in-Class Maturity Levels, or rely on third-party services to make the extra mile.

For smaller Companies, spending less than \$5M a year, the Leading Maturity level is a good start. If the company has not implemented Category Management yet, the Consulting Category can be integrated as part as a more ambitious project on the full Procurement Scope.

The Consulting Procurement Maturity has to be put in perspective with the overall Procurement Organization Maturity that includes people, and systems in particular into the equation.

The Consulting Category is one specific category within the indirect procurement, and all the improvements made on the Procurement Capability as a whole can only benefit the Consulting Category as well.

Consulting is very often one of the most significant indirect procurement categories, but its specificities, linked to the diversity and the complexity of the Consulting Market as well as the intangibility of the services delivered, made it the most undermanaged too.

Building a Mature Consulting Procurement can only benefit your Procurement Organization by optimizing the spend and bringing in significant Savings on your OPEX, but also strengthen your position at the C-level table by helping business leaders creating more Value through Consulting

What is your **starting point?**

To get a sense of where you stand, answer the following questions:

- ✓ Do you have a procurement team or person focusing on Consulting?
- ✓ Is Procurement Involved in the procurement process?
- ✓ To what extent do you organize competitions between providers for your projects?
- ✓ Do you use NDAs systematically?
- ✓ Do you manage a pool of providers?
- ✓ How do you measure the performance of your Consulting Providers?
- ✓ Do you consider creative fee structures for your projects?
- ✓ Are your Consulting Expenses aligned with your strategy?
- ✓ Do you have a make-or-buy strategy for the Consulting Category?



3 2 1... **Let's go**

Like any transformational initiative, the journey to build a mature Sourcing Capability starts with the mobilization of the organization.

Master the category and its economics

Understanding the supply market is key to making the best purchases. And Consulting is not an exception.

The Consulting Market is a large and dynamic playground for thousands of Consulting Firms around the globe. There are many ways to look at it starting with the most common approach: the Capabilities and the industry experience. Let's not forget the human component which is particularly important in Consulting.

Identifying the DNA profile of a given Consulting firm will help you understand what types of projects they can do with you.

Another key element to understanding the category is pricing. Consultants use several fee structures such as Flat Fees, Hourly Fees or Performance-Based Fees. When they estimate the price of the project, they always start with the duration and the team composition. But there are some other parameters, often disregarded, such as the industry in which you operate and the out-of-pocket expenses.

Set-Up the foundations


Executives love to hate consultants. Most of the time because they don't see the Value the Consultants bring their organization. When you work with consultants, you need to help your management understand what they get out of Consulting and how to use it to your organization's advantage.

When your teams are ready to embrace Consulting, you need to define the right processes. There are several processes involved when working with consultants: decision-making, sourcing, and project management. The best way to assess the performance of both your organization and your providers is to put in place a performance measurement system and implement Category Management for the Consulting Category.

You have now the basic foundations to generate Value, but the most important part of the system is still missing: people. There is no one-size-fits-all solution organization set-up that will get you all the benefits rather a set of options that you need to explore and weight to find the best compromise for your specific context

If you have decided on an organization concept, you need to staff the right talents and find the right incentives, so they deliver on the strategic priority: Value creation. Sourcing Consulting is not an easy exercise. Your teams need to offer a blend of Sourcing, Consulting, Project Management, and Business skills.

The success of your Consulting project from inception to reception heavily relies on collaboration between your teams. A culture fostering project management and collaboration will pave the way to success for your Consulting projects.

A portrait of H el ene Laffitte, CEO of Consulting Quest. She is a woman with short, wavy brown hair, smiling warmly. She is wearing a dark blue blazer over a white button-down shirt and a gold chain necklace. The background is a soft-focus outdoor setting with green foliage.

*This is not a solo mission,
you will need to assemble a group
of executives powerful enough
to embark others in the journey*

H el ene Laffitte

CEO Consulting Quest

Adopt a Performance Management System

Consulting Firms are craving for candid feedback from their clients. They also want to monitor their relationship with a given client. Some Executives may feel distraught when they are asked to measure the performance of intangible services like Consulting. Indeed, it is sometimes hard to translate the benefits of Consulting into metrics. Implementing SMART objectives is the place to start.

Adopting a Performance Management System will allow you not only to evaluate the performance on a given project but also to track the weak signals before they become issues. Procurement teams will use the results to communicate with supplier, build improvement plans, and manage the suppliers' list with a fine granularity. Finally, it will be an excellent way to confirm that you have rightly spent your Consulting budget.

Here are a few basics when building a Performance Management system for Consulting Services:

- The system must measure the Performance on the dimensions that are critical for your organization,
- The measure must be standardized to leverage benchmark,
- The Performance should be assessed on both hard and soft aspects,
- The measure must be done at the right granularity (consultant, project manager, partner, Consulting firm, ...).

Last, continuity in the measure and management of the performance is key to unlock all the benefits for both your organization and your suppliers.

Example of Report Card for Consulting Project

Capabilities

| | |
|-----------|-----|
| Strategy | 91% |
| Marketing | 81% |

Purposes

| | |
|-------------|-----|
| Top Line | 87% |
| Bottom Line | 71% |

Business Unit

| | |
|-----------------|-----|
| Corporate | 85% |
| Business Unit A | 92% |
| Business Unit B | 84% |

NPS
32%

of projects

8

Total Budget

\$1.2M

91%

67%



Make the most of your category management system

Consulting is rarely managed as a category. Very few organizations can perceive the particularity of Consulting Services and implement efficient category management for them. One of the foundations of Category Management is to monitor the spend, the market and the performance of your providers to continuously improve your sourcing.

You shouldn't see at your Consulting Spend as an independent bucket. If you use Consulting as a strategic lever to accelerate your transformation, you will immediately feel the necessity to strategize your procurement for the category.

There are several options that can be explored in parallel such as defining a Consulting Strategy or building a specific procurement process.

For most projects, organizing a Healthy Competition between Consulting providers will help you get the best proposals and make an informed decision.

Because the efficiency of Consulting is heavily dependent on the quality of the relationship between you and your providers, you should invest time with your main Consulting Providers to help them improve their performance and increase their understanding of your business.

As with any other field, Consulting Procurement Capability is being developed in stages.

You can easily assess your organization's Procurement Capability Maturity today and strive to improve it. Achieving a higher standard and success with Consulting Procurement Capability is well within reach of any organization.



Discover Consulting Quest Sourcing

What we do

We help you with all your consulting sourcing needs.

We provide sourcing, consulting and digital solutions to control your costs, accelerate your strategy and maximize the value you create from your Consulting Spend. Our approach is data-driven and executed by dedicated advisors whose profiles are a blend of executives, consultants, and procurement experts.

Why it matters

Consulting Spend can represent up to 1% of Companies Turnover. Yet only 7% of executives feel properly equipped when it comes to buying consulting services. Using best practices could lead in average to 30% of savings. Those could help the bottom line of fuel additional projects to create more value.

All conditions are gathered for clients to disrupt the way consulting is procured. Those who dare will capture tremendous value. We are here to help in this journey.

How we help our clients



Sourcing

We partner with clients throughout the entire consulting Sourcing Process. Our team of consulting procurement experts provides a white glove service to find and select the right consultants within the target budget



Consulting

We help clients to manage their consulting category, reduce overall costs, accelerate strategy execution and implement best in class processes increasing the maturity of their consulting procurement



Digital

We offer a full range of solutions to help companies easily manage demand, source consultants, measure their performance and manage the consulting category while reducing costs and maximizing value

Follow us





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Successfully Managing the Sourcing Process for Consulting Services

May 2020

Review the main steps in the process of managing the sourcing of Consulting projects, from defining the needs, formalizing all the elements in the RFP, assessing the written proposals, getting closer to selecting the best provider, managing and terminating contracts?



Focusing the Efforts to Maximize the Value in Consulting Sourcing

June 2020

Identify the key areas where you need to focus your efforts to maximize the Value you will get from the project. Many organizations focus on the negotiation stage when aligning the objectives, scoping and sourcing the right consultants is what creates more Value.



Scanning your Consulting Spend for Performance

July 2020

Explore how companies that are managing a significant number of Consulting projects can professionalize the management of their Consulting Spend and capture quick gains by implementing a simple set of actions. Value.



“

*Don't tell me where your priorities are. Show me where you spend your money and **I'll tell you what they are***

-James W. Frick-

