BEGINNER'S GUIDE TO VALUE ADDED SOURCING "VAS"

A PERSISTENT VALUE CREATION MODEL

resourcive ℔™

What is it?

The underlying premise of VAS is the value creation opportunities throughout the cycle of IT procurement. At each stage of the cycle, the VAS model aims to add value for the end-client by injecting subject matter expertise, market and supply-chain knowledge, deal flow experience, bench resources, strategic and tactical support – all with Special Operations precision.

Differentiating between Sourcing and Procurement

The words "sourcing" and "procurement" get used interchangeably and therefore are oftentimes conflated. It is important to note – especially when understanding VAS – how sourcing differs from procurement, and consequently, why a strategic sourcing project run by seasoned professionals can create so much value for procurement teams and businesses at large.

Fundamentally, you can think about sourcing as the stage before any actual procurement (i.e. placing of orders) happens. It is the foundation of a successful procurement project and/or process and sets the stage for the successful procurement of goods and services.

Sourcing	Procurement
Sourcing takes care of everything from finding suppliers, vetting & contracting them and maintaining a healthy chain of vendors to cater to the organizational needs	Procurement involves procuring goods and services needed for the organization.
Focuses on the who that makes the supplies possible	Focuses on the what of supplies
Sourcing is concerned with building and managing supply chains	Leverages supply chains to ensure a steady flow of inputs and supplies to the organization.
Sourcing manages supply chains and builds alternatives for resilience	Procurement is primarily concerned with running already created supply chains.

* Table taken from KissFlow - https://kissflow.com/procurement/sourcing-vs-procurement/

Thinking about sourcing as the precursor to successful procurement begins to reveal the opportunity for value creation via a sophisticated, mature sourcing process.

An Example

Consider an example of an IT team looking to procure a next-gen network and security solution for their business; the following steps would need to be taken before a buying decision could be made.

- Full visibility and understanding of current environment, contract statuses, usage rates, pricing, and SLAs
- Complete understanding of desired solution's ability to meet needs and requirements of the business.
- Comprehensive understanding of the supplier landscape for new technology
- Thorough vendor review and subsequent negotiations.

Once all these items are performed, a buying decision can be made, at which point service delivery and implementation would be managed to completion, and a vendor partner relationship would be fostered.

Successful execution on all the above will now lead to an extremely efficient and streamlined procurement of any new devices, MACDs, location stand ups, etc. in the network and security environment.

A critical look at your ability to execute on all the steps listed above is likely to reveal the gaps which a VAS consultancy can support your team and augment its ability to procure the right solution, with the most favorable terms, at the most competitive price.
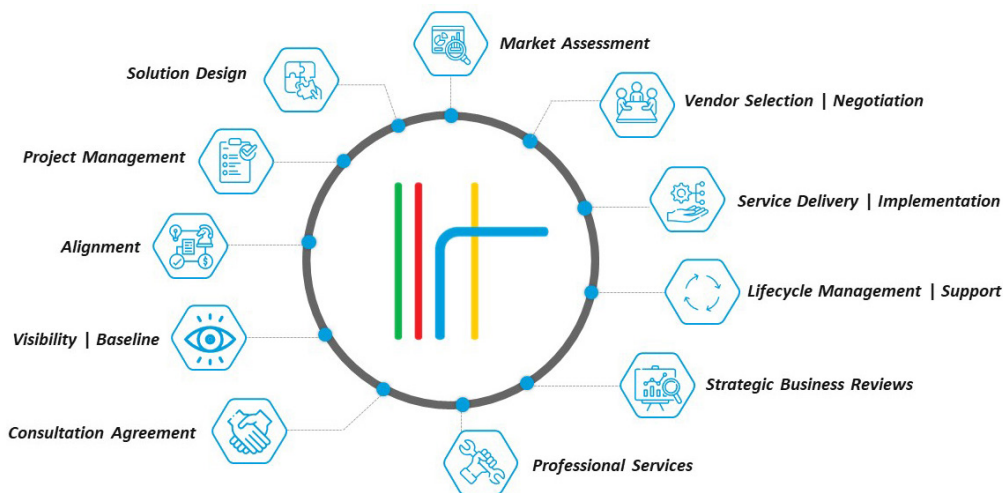
The VAS diagram above visualizes the complete cycle which value is created. Here, we'll breakdown each component and it's importance.

Consultation Agreement – The basis of a VAS engagement is a consultation agreement between consultancy and client. This agreement creates the framework for the VAS consultancy to formally work with and on behalf of the client to create as much value as possible. Crucial components of this agreement include vendor neutrality, exclusivity, and no out-of-pocket cost structure.

Visibility | Baseline – You can't know where you're going unless you know where you've been… or where you are. A full, comprehensive data collection and audit/analysis of your current spend, contracts, and terms sets the stage for a successful sourcing project. However, the data by itself is only as good the ability of the beholder to interpret and contextualize it. A true VAS consultancy has the subject matter expertise and data analytics skills to contextualize the data and identify opportunities and turn into actionable data.

Alignment – As with any 3rd party, coming in as an external consultancy requires that proper time and energy is focused on aligning with the organizations overarching strategic objectives as well as those of various key stakeholders and impacted lines of business. Creating alignment not only between Resourcive and Client but also between internal cross-functional teams oftentimes is key to unlocking value as inefficient processes are identified and eliminated.

Project Management – One of the biggest value-adds to our clients has less to do with the eventual top and bottom-line impact of our engagements, but more to do with the heavy lift that we take off our client's plates. Driving a methodical and proven project management process on behalf of our clients allows internal teams to have a level of involvement that prioritizes their time and attention.

Solution Design – With complete understanding of current environment, the strategic goals of the business and desired business outcomes of the sourcing project, designing the go-forward solution is a collaborative effort between VAS consultants and the client. A true VAS model leverages their consultants strategic and tactical knowledge with the technical support of bench engineering resources to deliver comprehensive solutions to the unique needs and requirements of each organization.

Market Assessment – Having formal relationships with over 350 providers globally and working knowledge of the market day in and day out, the VAS model creates a shortcut of sorts from solution design to vendor selection. Even if an internal team was able to pull

together all their needs and requirements and map out a solution design to meet those requirements, they are then encountered with a crowded and confusing vendor landscape. Instead of having to start from scratch and learning about the 10s of potential providers to deliver your desired solution, a competent VAS consultancy will be able to quickly and efficiently identify a handful of providers that can best meet your needs. What could take months, now takes a matter of days.

Vendor Selection | Negotiation – The truth of the matter is that you will not get treated the same way soliciting a provider direct as you will through Resourcive. Providers know they are in a competitive environment and that the prospective client is equipped with market knowledge of an experienced VAS consultancy. Additionally, supporting the client in their vendor selection by normalizing financial and technical information related to various proposals creates a framework in which key stakeholders can feel confident in their decision. Given VAS's core tenant of vendor neutrality, it is always the decision of the client to proceed with the vendor they choose.

Service Delivery | Implementation – With a buying decision made, and the procurement of your technology solutions executed, the sourcing process does not end. The successful service delivery and implementation of the contracted solutions and services is as important, if not more so, than the purchase itself. VAS, and sourcing in general, requires effective management of vendor obligations, commitments, and execution. The VAS model ensures this by bringing additional assets to the account to manage the implementation process as well as any peripheral tasks associated with disconnects, turndowns, changes, etc.

Lifecycle Management | Support – VAS begins to go beyond the traditional "sourcing" definition as the sourcing project itself comes to a close. Where you traditionally get an account support from your selected vendor partner, Resourcive brings an additional asset to your team to help manage the technology solution which it helped source and help escalate and resolve issues as they arise. Again, the internal productivity gains associated with a VAS engagement achieved simply as a function of man-hours allocated to your account is a force multiplier that can be harnessed in perpetuity.

Strategic Business Reviews –To ensure continued alignment and value creation, a VAS consultancy will conduct quarterly business reviews to proactively iterate on technology solutions in place to optimize their utility and impact to the business goals and objectives. As priorities shift, new markets are expanded into, and things like M&A activity create new technology requirements for the business, the VAS model ensures that the technology in place will adequately support the business and enable further value creation.

Professional Services – When clients need operational and/or tactical support, a VAS consultancy can be deployed to solve problems and execute on non-procurement related projects to enhance the larger business IT ecosystem and function. It is essential to the VAS model that the consultancy has a ProServe function to be able to tackle problems that are not directly tied to procurement.

Conclusion

The business model that a VAS consultancy operates is noteworthy. Given the fundamentals of sourcing projects resulting in the procuring of goods and services, a VAS consultancy is able to provide their services to their clients and partners at no out-of-pocket cost. Compensation from the suppliers fails to distort the incentives and economics of the VAS model as established by the tenant of vendor neutrality and client alignment. The robust ecosystem of suppliers which a true VAS consultancy has allows nearly all providers and solutions to be available to the client - no matter their needs and requirements, and ultimatley creates an additional layer of value creation within the sourcing project.

VAS sound too good to be true? Contact us today to learn more: marketing@resourcive.com