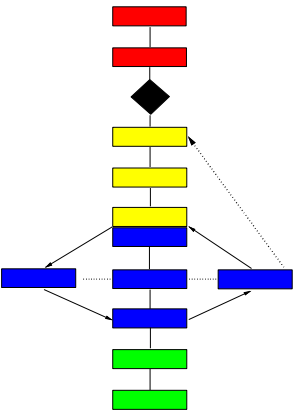


Supplier Management Guide

MITP
v5.1



Edition Notice

First Edition (September 1995)

This edition applies to Version C5.0 of Managing the Implementation of the Total Project (MITP), and to all subsequent releases and modifications until otherwise indicated in new editions.

A form for reader's comments appears at the back of this document. If the form has been removed, address your comments to:

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PREFACE About This Document

This document describes in broad terms how to manage suppliers, to encourage them to produce quality deliverables. In your company, you may have different or additional procedures for dealing with suppliers. Therefore, parts of this guide may need to be substituted by your company procedures as appropriate.

For information about the MITP life cycle, the key techniques, and the support techniques, see the MITP Handbook. A glossary of terms may be found at the back of the MITP Handbook

Who Should Read This Document

This document is intended for a project manager working on a project, in which a subproject may involve suppliers.

How to Use This Document

The table of contents provides a clear roadmap to the main topics outlined in this document.

ISO9000 Control Information

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1 Supplier Management Overview

Subtopics

- 1.1 Introduction
- 1.2 Supplier
- 1.3 Supplier Management Checklist

1.1 Introduction

There is a wide spectrum of possible relationships you may have with suppliers, depending upon the type of service they are offering, for example, the provision of skills and products or taking responsibility for performance of a subproject. The extent of their contractual responsibility governed by time and materials, fixed price, penalty clauses, and performance guarantees will require careful consideration as to the most appropriate management techniques.

This document provides guidance, which although most appropriate to an environment where the supplier is taking responsibility for a subproject under a fixed price agreement, will also be of value in many other environments.

1.2 Supplier

In this document the word supplier can mean third party or subcontractor. The following distinguishes between these three:

Entity	Definition
Third party	Another business entity, not part of your own business.
Subcontractor	A business entity or entities that do work for you under a Contract.
Supplier	A business entity that can provide a product or service to your project as a third party, part of a client organization, or part of your own organization

Because they are all essentially the same, the word supplier has been chosen, where a supplier provides those parts of the solution not provided by you. Another part of your company, not responsible for delivering the overall solution, may also be considered a supplier.

1.3 Supplier Management Checklist

If you have to manage suppliers in the course of your project, consider the following points:

- Make sure that the suppliers understand that, even though they are not your employees or agents, their conduct on a contract still reflects on you. They must not refer to themselves as suppliers or refer to their company at any time; the client should perceive only one image: yours. Suppliers should clearly understand that they are not to market directly to the client.
- The supplier may lack project management skills, so give standards of what they are to do, and follow up to see that they keep to those standards. (Note that their standards may be different to yours.)
- Avoid administrative confusion, for example, over when and how to pay.
- There is an increased need for a quality assurance schedule.
- Documentation and communication are essential.
- Tie the payment schedule to milestones.

- At the start of the project, make sure that everyone knows their jobs and has read their contracts. Make sure obligations are understood.

2 Identifying the Project

Subtopics

- 2.1 Introduction
- 2.2 Establish Extent of Supplier Involvement
- 2.3 Selecting the Supplier
- 2.4 Validating the Supplier
- 2.5 Supplier Selection
- 2.6 Preparing the Contract
- 2.7 Preparing the Appendixes
- 2.8 Preparing the Document of Understanding

2.1 Introduction

Some supplier management activities must be complete in the time period between receipt from a client of a Request for Purchase (RFP) to contract signature.

The successful completion of preproject activities is crucial to the eventual success of the project. Most project failures can be attributed to short cuts being taken during this stage.

To ensure that the project has a good chance of success, it is vital that you:

- Do comprehensive initial project planning
- Rapidly establish the extent of supplier involvement
- For the project, select a suitable supplier. Where possible identify several possible suppliers so that more than one quotation can be sought by your purchasing function and jointly assessed.
- Consider whether the client, the supplier or you should be the prime contractor.
- Clearly define in the contracts the:
 - Scope of work (SOW) to be performed by the supplier The better and clearer the SOW the better the price Vagueness will allow the supplier contingency And introduce unnecessary risk to you.
 - Management processes required to control the project.
- Produce a comprehensive consolidated project plan that demonstrates how the total project can meet its objectives.

2.2 Establish Extent of Supplier Involvement

To establish the extent of supplier involvement:

- Ensure that your client's real requirements are understood, clearly documented, and agreed
Beware! This is not a trivial task. Some spectacular failures have been caused by the statement of user requirements not being specific enough.
- Develop an outline solution addressing the agreed requirements
- Develop an outline project plan showing the divisions between your client and supplier activity
- Produce outline RFP for supplier contribution towards the solution
- Develop a proposal plan:
 - Giving adequate time for the supplier to respond to the RFP
 - Short lead times will produce higher and inaccurate prices.

2.3 Selecting the Supplier

There are many ways that suppliers can become candidate partners:

- Client preference
 - Your client may recommend or even mandate a particular supplier.
 - The client may say that a particular supplier should not be used
 - The client may say that no suppliers should be used.

In each case, establish the reasons why. Are the reasons valid?

- Internal recommendations
 - It may be prudent to consult your purchasing function before taking decisions because it can frequently provide information such as:
 - The financial status of the supplier
 - Track record
 - How much business the supplier currently has with you:
 - You should not become too dependent upon one supplier
 - Equally, the supplier should not become too dependent upon you.
 - Alternative suppliers
- Other:
 - Press advertisements
 - Trade shows.

You should consider obtaining competitive quotations which may help you to get value for money.

2.3.1 Initial Communication with the Supplier

Once a potential supplier has been identified, and your purchasing function has approved the supplier, set up an exploratory meeting with the supplier. Your purchasing function may request that it initiates the discussions with the supplier as a few misplaced words at the early stages of a proposal can easily jeopardize any subsequent negotiations. It is very important to set the right expectations with the supplier and then manage those expectations until agreement is reached.

Before the meeting, decide whether a nondisclosure agreement must be signed to protect proposal confidentiality. These may be handled by your purchasing function. At the meeting, assess whether the supplier:

- Is interested in the proposed project?
- Believes the project is feasible?
- Has the resources and skills to staff its subprojects:
 - Does it have skills in depth or does it rely on specific individuals?
 - If staff allocated to the project left, for any reason, would it be able to replace them immediately with staff already working for the company or would it have to hire?

Note: Be very cautious where products to be used on the project are highly specialized. If project staff skilled in a particular language leave, how easy will it be to hire equivalent skills?

- Finds your terms and conditions acceptable?
- Will be able to estimate the cost of its involvement? You should also:
 - Explain your review and approval processes
 - Understand its equivalent processes.
- Can produce project plans and is willing to share them regularly with you?

Ascertain whether the supplier has concerns that you may have considered but dismissed. For example, is the distance that the supplier is located from the project likely to cause personnel problems due to excessive travel demands?

Will the project infrastructure be different to that which you had proposed?

Start building technical and commercial links. In more complex cases it is worth developing a close relationship with the supplier as they may well be able to provide ideas that increase your chance of a successful project. They are often the experts in their particular field.

2.3.2 Preparing Documentation

All too often you hear suppliers complaining, particularly after a project has gone wrong, that they didn't get a clear definition of their role on the project.

- Prepare an RFP for the supplier to quote against. The RFP should:
 - Summarize the project's expected results
 - Identify the subprojects for which the supplier will have responsibility
 - Provide a detailed SOW for the subprojects
 - Provide an outline schedule for the subprojects



- Document their subproject role, working and progress reporting procedures, if appropriate, as an integrated part of your overall project
- Document the acceptance criteria for each deliverable
- Detail any quality control processes that you want to enforce, for example:
 - Walkthroughs
 - Inspections
 - Independent tests
- Document any standards against which the deliverables will be assessed, for example:
 - Quality plan
 - Documentation
 - Planning and tracking tools.

Remember when preparing an RFP that:

- The response you get will be based upon what you have requested. Make sure you have asked for sufficient information to allow you to validate the response. If you do not have the knowledge to validate a response to the RFP, employ someone who has. This may mean that you must employ an external consultant. If you do, perhaps he or she should be involved throughout the project?
- As far as the supplier is concerned, you are their client.

Ensure that you request the supplier to identify all deviations from the RFP in their response.

- If draft terms and conditions have already been prepared, your purchasing function can discuss this with the supplier. See "Terms and Conditions" in topic 2.6.1 for further information.
- If draft contract appendixes have already been prepared, they can be discussed with the supplier. See "Preparing the Appendixes" in topic 2.7 for further information.

2.4 Validating the Supplier

Validating the supplier may be a joint exercise with your purchasing function. Ensure you have allowed sufficient time for its involvement. Work with them to develop the validation plan and identify with them the specific skills required to conduct each part of the validation.

2.5 Supplier Selection

You can only select suppliers when you know what skills are required. You must first validate the supplier. In general validation can be considered as being at four levels:

1. The validation of the company itself, that is, its financial status, past track record, general capability to handle a project of this size and complexity, amount of work for you already on the books.

This level of validation is best done by your purchasing function which may already have experience of working with the supplier and has all of this information available. Before visiting a supplier to perform a validation, discuss it with your purchasing function to get a general assessment and any warnings first.

2. Validation of the company's standard development methodologies.
If a supplier will be performing a significant amount of development and test activity for you, it will be necessary to review their development and test standards to ensure they are sufficient to give the high quality products that you expect.
3. Validation of the specific proposal.
The bulk of the validation effort is usually concerned with looking at the supplier's response to the RFP, that is, reviewing its proposal to you to ensure that the solution, estimates, and plans are sound.
4. Validation of the quality plan for the project
Validation of the specific quality plan for this project to ensure that the quality criteria defined in the Contract can be met and more generally to ensure that the quality controls are appropriate for a project of this size and complexity.

2.5.1 Validating the Company

Validation means knowing the following. Your purchasing function can help you with this:

- How the company is structured.
- Which division or group is to have responsibility for the project?
- How that division is structured:
 - What are the staffing levels?
 - Who are the key managers?
 - What previous, relevant experience does it have?
- The company turnover and profit over last three years.
- The division turnover and profit over last three years.
- Its track record.
- Its capability to handle the project.
- How much business it currently has with you.
- Will its culture allow it to work successfully with you?
- Has it identified an executive sponsor?
- Does it have sufficient resources to allocate to the project? Does it have sufficient resources to back these resources should staff allocated to the project leave?

2.5.2 Validating the Standard Development Methodologies

Favorable answers to the following example questions would lead you to select a particular supplier in terms of standard development methodologies:

- Are they standard in-house methods?
- Has standards documentation already been supplied?
- If so, has it been reviewed and agreed by you?
- Are the standards compatible with other project standards?
- Are the standards compatible with your client's requirements, for example, the maintenance philosophy?
- Are the standards appropriate for the level of quality required?

2.5.3 Validating the Supplier Response to the RFP

When validating the supplier response, determine whether the supplier plans to subcontract any of the work to another supplier. If this is the case, you must perform the activities detailed in "Selecting the Supplier" in topic 2.3 for all of these suppliers.

2.5.3.1 Validating the Quotation

A careful review of the supplier's formal quotation is absolutely essential to ensure that the full scope of the job is covered in the quote, there are no unacceptable assumptions or caveats, and the quote is based on the actual terms and conditions to be used.

- Is the quotation firm?
- Are there any unacceptable caveats and assumptions?
- Does the quotation fully cover the RFP?



- Are the standards acceptable to you and your client?
- Does it have the means to do the job:
 - People
 - Company large enough to replace personnel quickly
 - Skills
 - Development environment
 - Good track record
 - Established estimate validation process.

Where a number of competitive quotes have been received, the comparison of these and the resolution of any major differences between them should enable you to identify any quotes that are clearly out of line.

All quotations from a supplier should be addressed to your purchasing function who will handle them thereafter.

2.5.3.2 Walk Through the Proposed Solution

On many proposals, it will also be necessary to visit the supplier to review the details of its solution:

- Has the supplier understood the scope of the overall project?
- Has the supplier understood the scope of the subprojects for which it is accepting responsibility?
- What is the basis for the solution:
 - Your documentation?
 - Other?
- How definitive is the solution?
- Has the solution been done before?
- Has the solution been independently reviewed? If so:
 - When?
 - How?
 - By whom?
- Is the solution compatible with the overall solution?
- Has the supplier reviewed the overall project plan?
- Can the supplier support the plan?
- Are all interactions and interdependences understood?
- Is the supplier able to work with the client, you and other suppliers?
- Can the performance and capacity estimates be verified?
- What are the risks associated with the solution? Have plans for containing the risk been provided? Have all risks been allocated owners?
- What assumptions have been made, for example, support requested from you, the client, or other suppliers?
- Have all the system interfaces been defined and understood?
- Does the solution contain existing packages?
 - Does each proposed package fit the requirements?

Do not rely on a supplier's overall assessment of the "percentage fit" of a package. There are many examples of this being wildly wrong. Detailed review and evaluation are

required.

Beware of glibly accepting that "it will be in the next release of the package" or statements like "we are not changing the package, just converting it to a new platform".

- Has the package previously been reviewed by:
 - You?
 - The client?
 - Other?
- Has use of the package been enforced by the client?
- If the package must be customized:
 - Have the customizations been described?
 - Are they possible without changes other than parameter changes?
 - Do detailed estimates exist for all changes required?
 - Does the client agree to the proposed customization?
 - What track record does each package have?
 - When was each package developed?
 - How many existing installations are there?
 - What fault statistics exist?
 - Walk Through the Proposed Solution
 - What are the performance and capacity details of each package?
- Determine whether the implementation plan is viable:
 - Has the project been clearly defined?
 - Does it demonstrate how the project will be completed within budget and timescale?
 - Have all assumptions and dependencies been stated?
 - Has it used a standard method for estimating? Have you reviewed this?
 - Are detailed task estimates available:
 - Have the estimates been backed up with statistics from past experience?
 - Have the estimates been subjected to independent validation?
 - Has the work involved been described?
 - Have estimates of effort been supplied?
 - Have the deliverables and the acceptance criteria been defined?
 - Are all resources defined and committed (by name or by role)?
 - Has adequate and appropriate contingency been included?
 - Are individual activities defined?
 - Have individual tasks been estimated?
 - Have individual tasks been assigned to individuals?
- Has the supplier defined a project management system appropriate for the size and complexity of the project?
- Is an appropriate level of technical review planned?
- Are there plans to validate estimates and schedules before final tender?
- Are acceptance criteria agreed?
- Does a comprehensive quality plan exist?

2.5.4 Validating the Quality Plan

How complete is the quality plan provided by the supplier? Does the plan reflect your requirements?

Does the quality plan cover in detail:

Quality objectives

Deliverables

Expected defect rates

Performance criteria, for example, size of deliverable, path lengths

Processes:

- Progress tracking
- Exception management for:
 - Problems
 - Changes
 - Faults
 - Issues.
- Risk management
- Quality management
- Financial management.

Tools

Standards

Review procedures

Progress tracking and reporting (what tools)

What level of risk was identified

Dates set at project startup

Where the quality meetings will be held

Who the mandatory participants are

What input each participant should supply

When reviews will be held. Formal review minutes to be copied to project sponsor detailing:

- Actions to be taken
- Personnel responsible for each action
- Target dates for completion of activities
- Tasks completed
- Money spent to-date.

Testing strategy:

- Test scripts:
 - Define responsibility for creation (system test and acceptance test)
 - Ensure standard format across the project
 - Ensure objectives, input data, process, and output data.
- System test:
 - System test to include acceptance test scripts
 - System test plan.
- Acceptance test:
 - Who creates test scripts for acceptance test
 - Acceptance test plan.

Does the supplier understand the level of quality control you will wish to exercise? Has it any quality issues? If so, have plans been provided to address the issues?

2.5.5 More than One Supplier

Where more than one supplier is to be used on a project, it is important that the validation process includes walkthroughs between all suppliers. This is the only way to ensure that all sides fully understand the interfaces between them.

2.5.6 Producing the Consolidated Project Plan

The consolidated project plan should be produced by an experienced planner based on input from you and the suppliers. The plan covers both your activity and the supplier activity, and forms the basis for the contracted schedules, the resource commitments and the overall project risk assessment. It should include:

- The background for the project
- An overview of the project
- The project goals and objectives
- The identification and scope of the subprojects. For each subproject include the following:
 - The subproject objective.
 - The SOW. Indicate whether you or the client is expected to assume responsibility for this subproject.
 - The deliverables to be produced and the acceptance criteria for each deliverable.
 - The resources and skills required and who is to supply each resource.
 - The major subproject milestones.
 - Any dependencies and assumptions.
- Details of the organization required to support the project
- The project milestones
- A risk containment plan, which addresses all risks identified, including those identified by the supplier
- The overall management plan for the project
- The overall quality plan for the project.

The consolidated project plan should be walked through with the suppliers to ensure there are no omissions or misunderstandings and that they are fully committed to the plan.

2.6 Preparing the Contract

The Contract that is finally agreed between you and the supplier is the basis for the relationship with the supplier and for the contribution of the supplier to the success of the project. Any post-contract changes will most likely incur unpredictable additional cost.

Consider the following when contracting with a supplier:

If the project slips or has quality problems, will the supplier suffer as much, or more, than you?

Will its business relationship or reputation with the client suffer as much as yours? Is that important to the supplier?

Is it working to the client's specification and are significant payments tied to final client acceptance? Has acceptance of its deliverables been made dependent upon final acceptance by the client?

As well as penalties for nondelivery, consider the possibility of incentives for timely delivery. Are they appropriate for the Contract?

It is vital that Contracts are diligently prepared and subjected to internal review by all interested parties before being submitted for signature. It may not be possible to rectify omissions from the Contract. Choice to accept change is at the sole discretion of your supplier.

2.6.1 Terms and Conditions

The terms and conditions of the Contract:

- Usually take precedence over appendixes
- May be prepared and negotiated by your purchasing function with your assistance.

You must ensure that the supplier has:

- Seen your standard terms and conditions, intellectual property rights, and insurance indemnity
- No issues with the terms and conditions. If so, what plans are in place to resolve them?

2.6.2 Negotiation

Negotiations over the contractual terms and conditions, can often turn out to be protracted and result in many changes, often at the last minute.

Your purchasing function may provide a supplier with standard terms and conditions early in the proposal cycle to try and identify the changes required as soon as possible.

Make sure the implications of any changes to the contractual terms and conditions are fully understood before you are committed.

- Reassess the overall risks to the project
- Reassess that contracts are still back-to-back
- Reassess the supplier risks

- If necessary revalidate that the supplier project manager is fully aware of and supports the latest terms and conditions.

It is important to ensure you are speaking to the right person in the supplier as you can waste time talking to someone who does not have the authority. Establish the key decision makers up front.

2.7 Preparing the Appendixes

It can often be very valuable to start drafting the appendixes early in the proposal cycle. They are a great basis for agreeing and communicating the scope of the job and defining who is responsible for what.

Before writing the appendixes you should be familiar with the terms and conditions of the supplier Contract. Identify all references in the terms and conditions to each Appendix. If terms and conditions contradict the appendixes, the terms and conditions prevail.

It is important that the appendixes have been written in plain language. There should be no ambiguities, no dangerous words or phrases. They should be reviewed carefully by both sides.

The appendixes are not just about precisely defining the solution; they should also define the management processes to be used on the project.

2.7.1 Contents of the Contract Appendixes

The Contract appendixes should cover:

- The SOW:
 - Project management
 - Baseline references
 - Post-acceptance support.
- The deliverables:
 - Identify all levels of specification
 - Identify all documents
 - Project plan
 - Project status report
 - Quality plan
 - Test plans
 - Test results
 - Test simulators
 - Media and format
 - Training.
- The acceptance criteria for each deliverable:
 - Inspections and walkthroughs
 - Error severity classification
 - Error correction turnaround
 - Error rates
 - Performance.

- Your responsibilities:
 - Encompass client responsibilities
 - Exclusions
 - Location
 - Provision of development facilities
 - Reference manuals.
- Agreement for maintenance
- Hardware and software configurations
- The delivery schedule: ensure that your dates are well covered by the dates provided by the supplier
- Shipping instructions
- The combined quality plan for yourself and the supplier
- References to baseline documentation
- Payment conditions
- Payment schedule related to milestones, and preferably also related to the acceptance of the deliverables.

2.7.2 Supplier Actions

The supplier should:

- Supply your purchasing function with a supplier software license agreement, if applicable. Your purchasing function should pass this on to the proposal team.
- Agree with your purchasing function which agreement is appropriate.
- Provide your purchasing function with a Supplier Certificate of Originality.

2.8 *Preparing the Document of Understanding*

Services provided by another internal department for your project need to be considered in much the same way as those provided by any other supplier as far as those responsible for delivery are concerned. A Document of Understanding (DOU) should be used to define these services, given that a legally binding fixed price Contract cannot exist in these circumstances. The DOU should ensure the correct understanding, commitment and accountability of the supporting or performing function. The schedule and funding arrangements need to be specified together with any assumptions and dependencies that are relevant. In all cases, the appropriate level of management approval should be secured for both the supplying and receiving functions.

2.8.1 Content of Document of Understanding

The DOU should contain a definition of the tasks to be performed, the schedule, completion criteria, and funding limits. The main content should include the following:

- Purpose:
 - A brief outline of the purpose and context of the DOU
 - Description of general responsibilities of the signatories
 - Description of client Contract
 - Business reasons for DOU.

- Who holds the prime contract and who the subcontract responsibility, contract responsibility, and how communications with the client will be managed
- Definitions
- SOW
- Deliverable items
- Schedule
- Acceptance:
 - Completion criteria for each deliverable
 - Methods of quality measurement.
- Dependencies and assumptions:
 - Critical schedule dates
 - Staffing plans
 - Special skills
 - Hardware availability
 - Work location
 - Activities required of the receiving function.
- Charges and funding:
 - Funding levels
 - Spending profiles
 - Cost sharing arrangements
 - Billing procedures
 - Cost reporting.
- Changes:
 - Change authorization
 - Authorization limits
 - Change process
 - Timeliness of response.
- Personnel assignment:
 - Names of critical assignees
 - Individual terms of reference
 - Level of individual resource.
- Management information and communications:
 - Management reviews
 - Status meetings
 - Problem reporting
 - Escalation paths.

2.8.2 Risks

A DOU is a formal written agreement between two or more functions or departments for the purpose of establishing responsibilities, obligations, and actions required in completing project and documenting the assumptions. Those situations that require unusual or specialized activity or require services from an unusual source should be considered high risk and appropriate containment plans should be put in place. Such a circumstance would typically include new product development from a laboratory not geographically based in your country. Laboratories may have their own priorities which they may place higher than your project's.

DOUs are the best you can do internally but they do not carry the weight of legally binding Contracts. The pain of failure will almost certainly be greater for the receiving function than that supplying.

3 Establishing the Project

Subtopics

- 3.1 Introduction
- 3.2 Project Definition
- 3.3 Team Building
- 3.4 Project Startup
- 3.5 Planning
- 3.6 Management Processes

3.1 Introduction

Some supplier management activities are required to implement the management processes at the start of the project.

Before the project begins, you must implement the management processes agreed before the contract is signed. You must ensure that the processes are implemented such that they add value to the project and are not merely bureaucratic overheads.

Additionally, personal relationships must be built. It is important that you adopt the management style that you believe is most appropriate to manage the project team members.

3.2 Project Definition

Project definition is the key to a successful project. A Project Definition Workshop (PDW) will:

- Build a relationship between all parties
- Ensure that all parties understand their roles and responsibilities
- Obtain the commitment of all parties to the project
- Set expectations.

You should hold more than one PDW if you think they are needed, for example, there is more than one supplier on the project. Hold internal PDWs first, then supplier PDWs, then the PDW involving your client.

3.3 Team Building

If the personnel on a project do not work together as a team, the project becomes difficult to manage. You should work with the supplier project manager to build the project team. Consider the following:

- Motivation
- Quality
- Recognition and incentives
- Career enhancement
- Good communications, for example, on project progress
- Create job specifications and agree with the supplier how performance of their personnel will be reviewed
- Remember that suppliers have different cultures, which may be constraints.

3.4 Project Startup

Ideally, the project manager involved in the preproject activities should be the same project manager of the project now being established. If not, it is even more important that you should:

- Familiarize yourself with the existing project documentation

- Understand the role within the project of the supplier
- Meet the supplier project manager as soon as possible and develop an appropriate working relationship
- Meet other key players on the project and develop appropriate working relationships with them
- Adopt an appropriate management style:
 - Be professional - lead by example
 - Don't abdicate responsibility at any time - for any reason
 - Maintain discipline at reviews and meetings - start and end on time. Required participants only. Circulate meeting agenda beforehand. Keep and communicate detailed minutes.
 - Be firm but reasonable.
- Understand roles, responsibilities, background, organization, philosophy, skills, constraints, and motivation of the supplier
- Understand the problems of the supplier
- Agree how timekeeping will be monitored
- Listen to comments about your company and take appropriate action to rectify problems
- Maintain good communications with the supplier - establish a single point of contact
- Identify and attempt to rectify errors and omissions in the Contract. Perform Contract Change Management, as appropriate
- Create an asset inventory.

Notes:

1. You have responsibilities for the health and safety of supplier staff. You can obtain guidance from MITP or your safety officer.
2. Think about setting up a steering committee as the ultimate decision maker at the executive level for both you and the supplier.

3.5 Planning

It is often said that "if you don't have a plan for it you can't manage it". When the "it" is a supplier this is certainly true, for without a firm plan for the supplier activity experience shows that schedules often slip and problems and issues remain unidentified until too late.

- Get the most detailed level of plans you can out of the suppliers.
- If the supplier is on a time and materials Contract, this must include detailed work plans by person so that every hour can be tracked.
- In a fixed price Contract, the supplier may be reluctant to provide detailed work plans. Insist on at least a comprehensive milestone plan that will demonstrate positive achievement every one to two weeks.
- Try to ensure that milestone completion is assessed by an 'external' function, for example, by quality assurance or sign-off by a receiving department.
- Many suppliers do not normally plan to sufficient detail. Be prepared to define the standards required and assist them in their planning. To ensure suppliers remain accountable, make sure that through assisting them it does not become your plan.
- A common planning tool is preferable, but if they have a well trusted in-house method, of an appropriate standard, it is usually better to let them stick with what they

know and convert their input into the overall plan. You might even consider using their method as the project standard if they are a major part of the planning.

- Try to ensure that joint PDWs and plan walkthroughs are included in the plans as these will help to give early warning of plan deficiencies and weaknesses.
- It is very important that all interdependences between parties are very clearly identified in both sets of plans.
- The overall project plan must attempt to protect the supplier from minor slippages on your part through building in adequate buffers on dependencies. If it doesn't you might find a small slippage by you causes the supplier an 'enormous problem' and a reason to put up the price.
- The overall project plan must likewise be protected from minor slippages on the part of the supplier.

3.6 Management Processes

The management processes that you have available to you will have been defined in the quality plan provided by the supplier during the preproject phase.

By ensuring that all processes are defined by the quality plan and that the quality plan itself is protected by the Contract, it should be possible to ensure that the processes required are implemented and used.

See "Validating the Quality Plan" in topic 2.5.4 for information on the implementation of a quality plan.

4 Managing the Project

Subtopics

- 4.1 Introduction
- 4.2 Control Processes
- 4.3 Progress
- 4.4 Quality
- 4.5 Contract Setup
- 4.6 Change
- 4.7 Exceptions Management
- 4.8 Finance Management
- 4.9 People Management

4.1 Introduction

The control processes of an established project ensure that the critical success factors of the project will be achieved.

The relationship that you have with the supplier and the way the project is to be managed should by now have already been well established.

The following deals with those areas of the management processes which may need fine-tuning. It provides you with hints on how to maintain the momentum of the project, come what may.

4.2 Control Processes

If it is necessary to introduce a process not already defined in the Contract, the process should be clearly documented and agreed by all parties to the project. Where changes must be made to an existing process, the change should be agreed by all parties, and the process documentation updated to reflect the change.

Be aware that this situation can be expensive, both in project schedule and cost. It might also increase the risk to project quality if agreement on a process cannot be obtained and, as a result, opportunities for the supplier to be 'less stringent' emerge.

4.3 Progress

Most people dislike giving bad news and subjective progress reporting tends to be very much on the optimistic side. Getting at the truth requires objective plans to measure progress against well structured reviews and a level of 'inside information'.

- Work plans and quality plans must be detailed enough to demonstrate that schedules are being met at an acceptable level of quality.
- Ensure that all key milestone achievements are agreed by a quality assurance function, ideally within your own company.
- Ensure that detailed progress reports are received 24 hours before the progress review meetings so that the project office can review them in advance, looking out for any danger signals.
- Hold weekly progress meetings with the supplier's project manager to an agreed agenda and an agreed 'standard' as to the information to be tabled.
- Encourage the supplier to disclose problems and internal issues early and be seen to do all you can to assist their resolution before escalation.
- Be particularly careful that the schedule impact of any change requests is properly evaluated. There is often a lot of focus on the additional costs but little thought to the significant impact change can also have on the schedules.

4.4 Quality

Your role in managing the quality of the deliverables is one of assurance as far as a supplier is concerned. It is your responsibility to ensure that the supplier's project

manager is carrying out the quality processes specified in the quality plan to the agreed schedule. You must:

- Ensure direct involvement in key supplier documentation and code reviews.
- Formally approve all design and operational documentation produced by the supplier.
- Agree to carry out inspections from time to time both on a planned basis and on-the-spot basis.
- Obtain agreement that the supplier's quality records be made available when requested.
- Invoke quality audits from time to time as a means of spot checking or to investigate any specific concerns.
- Agree any remedial actions or plans arising from quality activities and follow them up.
- Agree the supplier's test plans and scripts from unit test through link and system test phases and agree all phase exit conditions.
- Ensure the supplier provides all its test reports for each phase to ensure compliance with exit conditions and to identify any areas creating higher than average error rates.
- Agree on a regular basis the categorization of severity levels of errors encountered in the supplier's deliverables together with the remedial action plan. Be prepared for the supplier to contest these. Early input from the client can be helpful here.
- Ensure that the final accepted set of deliverables, from the supplier, conform in total to a common formal release level.

4.5 Contract Setup

The Contract set up during the proposal stage will be fulfilled during the delivery stage.

4.6 Change

There are two types of change:

- Contractual change is a change in the scope of the Contract, and can be either terms and conditions, scope of work, or requirements.
- Technical change is a change in the technical implementation of the solution to be provided, which is unlikely to require contractual change, but may be required by a contractual change.

Both types of change must be controlled under agreed change procedures.

4.6.1 Contractual Change

A request for change can emanate from any of the parties to a contract, that is, the client, you, or a supplier. It is important to ensure that, regardless of its source, the change request is properly evaluated and its impact documented by the supplier, before presenting the implications of the change to the client. You should fully satisfy yourself on the justification for any proposed change, particularly if a supplier has recommended it. You should also validate any supplier impact as this will form the basis for a change to the supplier Contract.

Review the following areas of impact with the supplier to ensure a complete analysis has been carried out:

- Identification of all new or amended deliverables
- Identification of all new or amended tasks
- Resource estimates for the new task set
- Demonstration of properly managed configuration
- Redesign walkthrough if deemed to be necessary
- Cost breakdown
- Resourcing
- Rescheduling
- Revised dependencies
- Performance implications
- Payment profile.

In short, a full review of all conceivable implications is necessary. Even for comparatively straight-forward changes, all impacts should be considered as appropriate rather than immediately assumed to be irrelevant. A five line code change could have catastrophic performance implications. Given the commercial nature of changes, it is important to ensure that your purchasing function is fully involved in the change process between you and the supplier. Even if a change requested by the client does not appear to impact the supplier, leave nothing to chance. Give a copy of the change request to the supplier and invite a 'no impact' response.

The price of change will be made up of the increased cost of your resources and products plus the marked up costs of the supplier. Even if no additional deliverables are to be forthcoming directly from you, an extended schedule and workload on the supplier will require more project and quality management. Allow enough time for the supplier to carry out its impact analysis properly to enable you to validate and estimate costs before submission to the client. Do not allow the supplier to dash off down the changed path until full sign-off has been achieved from the client, or the client has provided formal authority to proceed in advance of completing the paperwork.

4.6.2 Technical Change

Much of the above impact analysis will still need to be carried out to ensure that there will be no contractual effects such as increased cost or schedule. Configuration management is likely to be the most important aspect of such change to ensure that all the appropriate deliverables are updated in concert.

4.7 Exceptions Management

Exception management encompasses the management of all out of line situations - problems, faults, errors, and issues. Essentially these situations can arise from documentation and design review notes, error logs, and management review minutes. All review notes, minutes and logs should ensure that any actions arising on the supplier are identified as such with responsibility defined together with completion dates. This needs to be carried out in agreement with the supplier's project manager. You should follow up its actions at the regular reviews, or more urgently when required. The use of a PC

database action management system to report specifically on the outstanding actions for each supplier can be beneficial here. All such items should be constantly monitored to track progress on fixing problems.

If there are any issues that could prevent the supplier delivering as planned, for which the remedy lies outside your immediate control, it is important that the atmosphere within the project allows you to declare your concerns and recommend the appropriate action, wherever that may reside. You should encourage this discussion and assist any escalation needed. Having identified the appropriate escalation it must then be followed up.

This is one of the most important issues in supplier management. Early in any project, there will be signals that indicate that the initial validation process was insufficient. Once this is detected, containment of potentially damaging exceptions must be implemented at once and done so openly. The acceptance of certain containment measures is sure to be necessary.

4.8 Finance Management

Controlling the finances on a large project is far from simple and many project managers have found themselves drowning in a pile of supplier invoices without the controls in place to know whether they should approve them or not.

If the supplier is working to a time and materials Contract, you must ensure you can track all the people costs, by person, by the hour (or day). This will inevitably mean detailed resource plans and some form of timesheet in order to reconcile invoices.

If the supplier is working to a fixed price Contract, invoices will be governed by the agreed payment schedule, but it is also wise to track the supplier costs on a regular basis, if at all possible, to get early warning of any resource or expense overruns.

Agree the timesheet requirements and information required on the invoices at the start of the project.

Define and set up the analysis and reporting systems required using spreadsheets or similar tools.

Understand the budgets for the project and try to ensure that you have some ability for paying for a few 'extras' which were forgotten in the Contract.

4.9 People Management

Where the supplier is providing skilled people to work under your management then you clearly have an important role to play in people management. Even when the supplier is under a responsibility Contract to you and is managing its people itself on its subproject, you must still play your part to ensure good morale and motivation.

- At an early stage assess how good their people management is. This will show how much you have to do to supplement it.
- Be visible within the supplier organization and make opportunities to brief the supplier on the overall project status.
- In particular, provide a comprehensive initial briefing to all its people on:
 - The objectives and total scope of the project
 - Why it is important to the client, you, and the supplier
 - The management systems for the project.

- On large projects consider distributing regular status reports or newsletters covering the total project.
- Include people management on the agenda for regular progress meetings with its project manager. Understand any particular personnel problems or strong career aspirations.
- Ensure job specifications exist across the total project. Review the supplier ones, if possible.
- Ensure that the supplier's people have written objectives in line with the project objectives.
- Try to ensure that the supplier is rewarded for achievement and not just penalized for failure. Ideally the Contract should allow for this but even if not you might be able to arrange something with its project manager.



5 Ending the Project

Subtopics

- 5.1 Introduction
- 5.2 End of Project Activities
- 5.3 Project Analysis
- 5.4 Lessons Learned
- 5.5 Recognition
- 5.6 Warranty
- 5.7 Inventory Reconciliation
- 5.8 Accounting

5.1 Introduction

There are some supplier management activities that can only take place once all deliverables have been formally accepted by the project sponsor.

5.2 End of Project Activities

The sense of relief (and surprise) which accompanies the acceptance of the project deliverables by the project sponsor frequently means that essential end of project activities, which should be performed are neglected.

Although the prime objective of the project has been achieved, the professional project manager will want to ensure that the lessons learned during the project are passed on to others. There are also other considerations which concentrate other minds such as final payments, inventory reconciliations, and recognition events.

5.3 Project Analysis

At any time throughout the project, you, or any other project team member, should be documenting experiences gained from the project. This information is vital if you are to improve the way you run any project, not just supplier projects.

For projects where you work with suppliers, it is even more important as the information gained may be crucial when it comes to making a decision on whether to work with the same supplier again.

When the project is completed, you should take it upon yourself to document the history of the project and distribute it to your purchasing and quality assurance functions, and to your peers.

5.4 Lessons Learned

The lessons learned from the project can only be documented at the very end of the delivery project.

5.5 Recognition

On successful completion of a project, recognition events are a very effective way of thanking project participants for their efforts. These recognition events achieve a number of objectives:

- Peer recognition
- The project completes on an up
- Team members are motivated for future projects
- Future relationships may be forged.

5.6 Warranty

Where a supplier has been responsible for a deliverable, there should be a warranty period contracted to them.

At project completion, ensure that the warranty plan, previously agreed, is not obsolete and is valid.

5.7 Inventory Reconciliation

To support a project, you may have provided nonpersonnel resources, such as hardware and software. These resources are your assets and it is important that these resources should be recovered.

To ensure this happens, the resource inventory created during project establishment should be used to retrieve your assets from suppliers.

5.8 Accounting

Final payments to suppliers should have been linked to your client acceptance of the project deliverables. Once formal acceptance by the project sponsor of the project deliverables has been received, ensure that contracted payments due are made to the supplier as soon as possible.

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Readers Comments

MITP
Supplier Management Guide
Version C5.0

Publication No. MICG1SUP

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