

WORLD BANK

CORPORATE PROCUREMENT

'REFORM & BEST PRACTICE'

By Bryan C. Cook

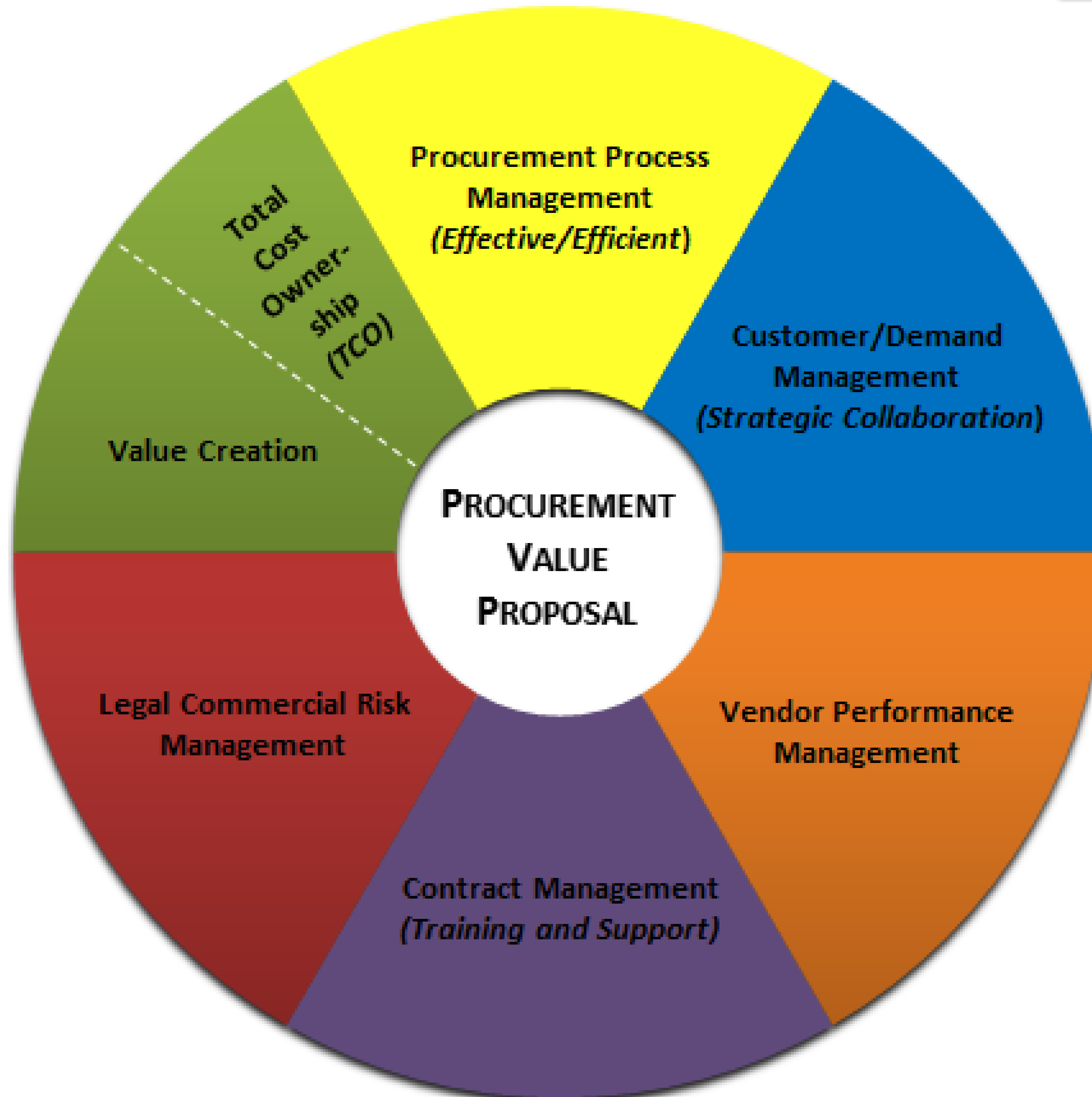
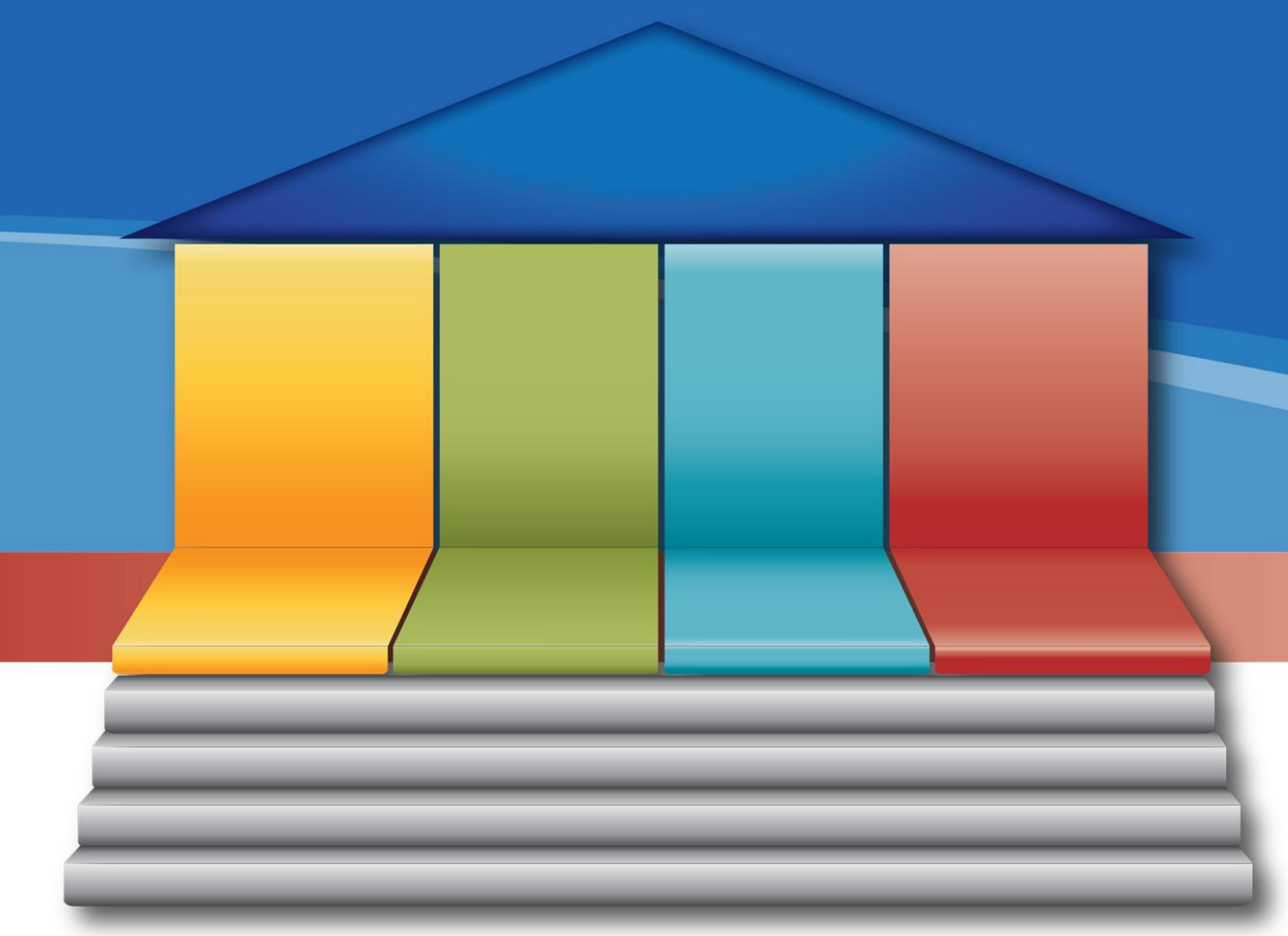


CORPORATE PROCUREMENT

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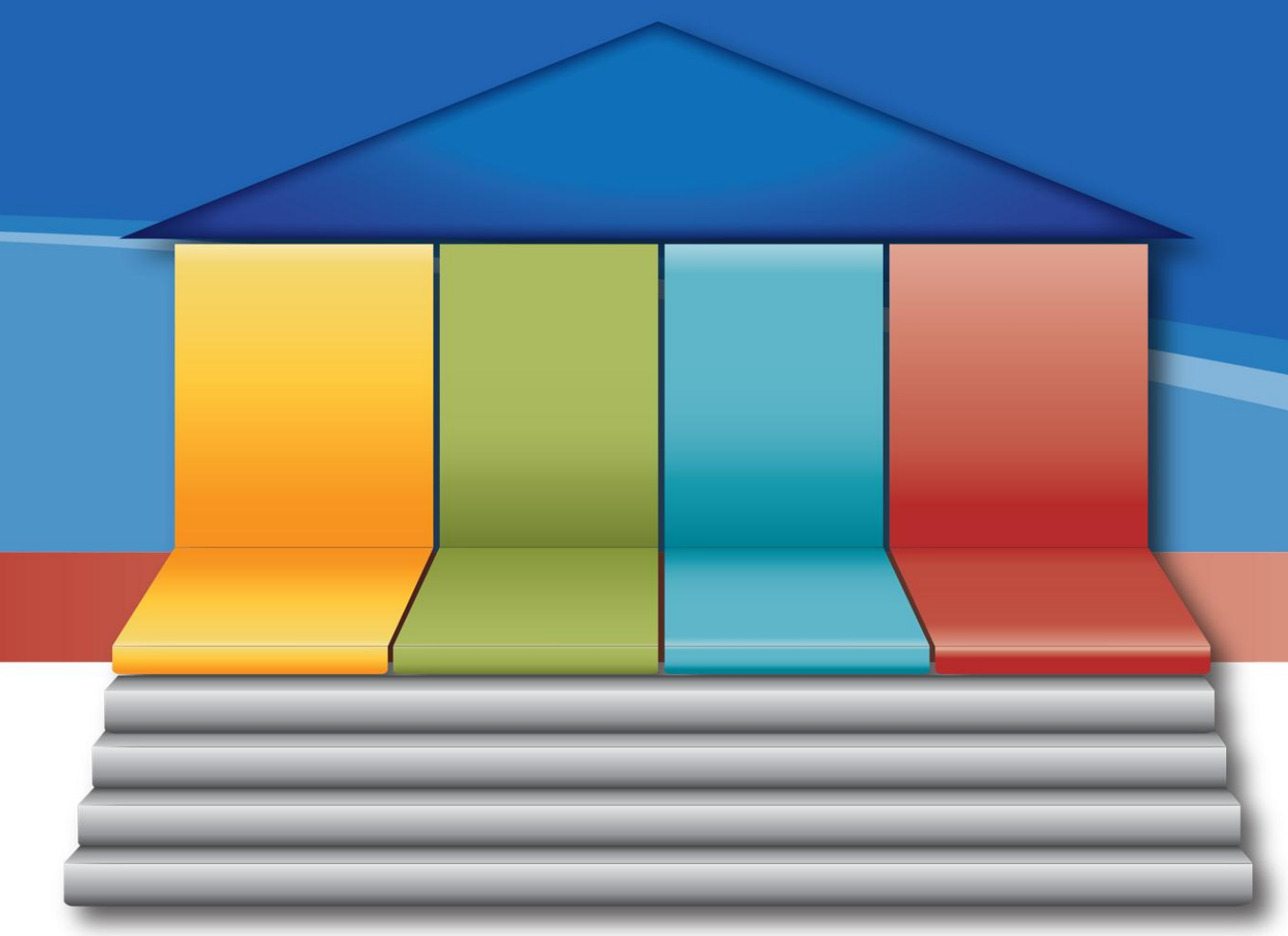
CORPORATE PROCUREMENT

TOTAL VALUE CREATION WBG

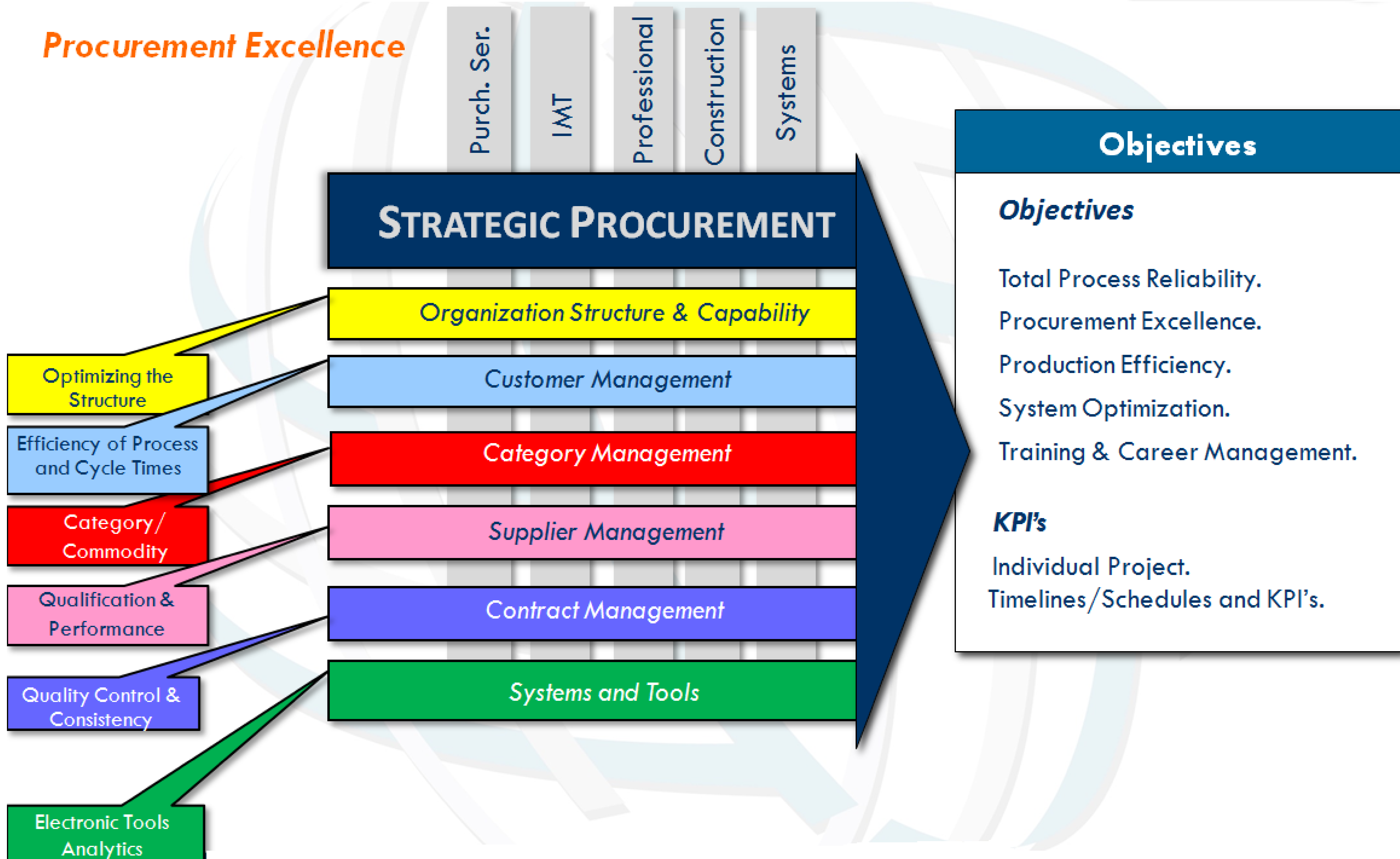


PROCUREMENT PROCESS IMPROVEMENT

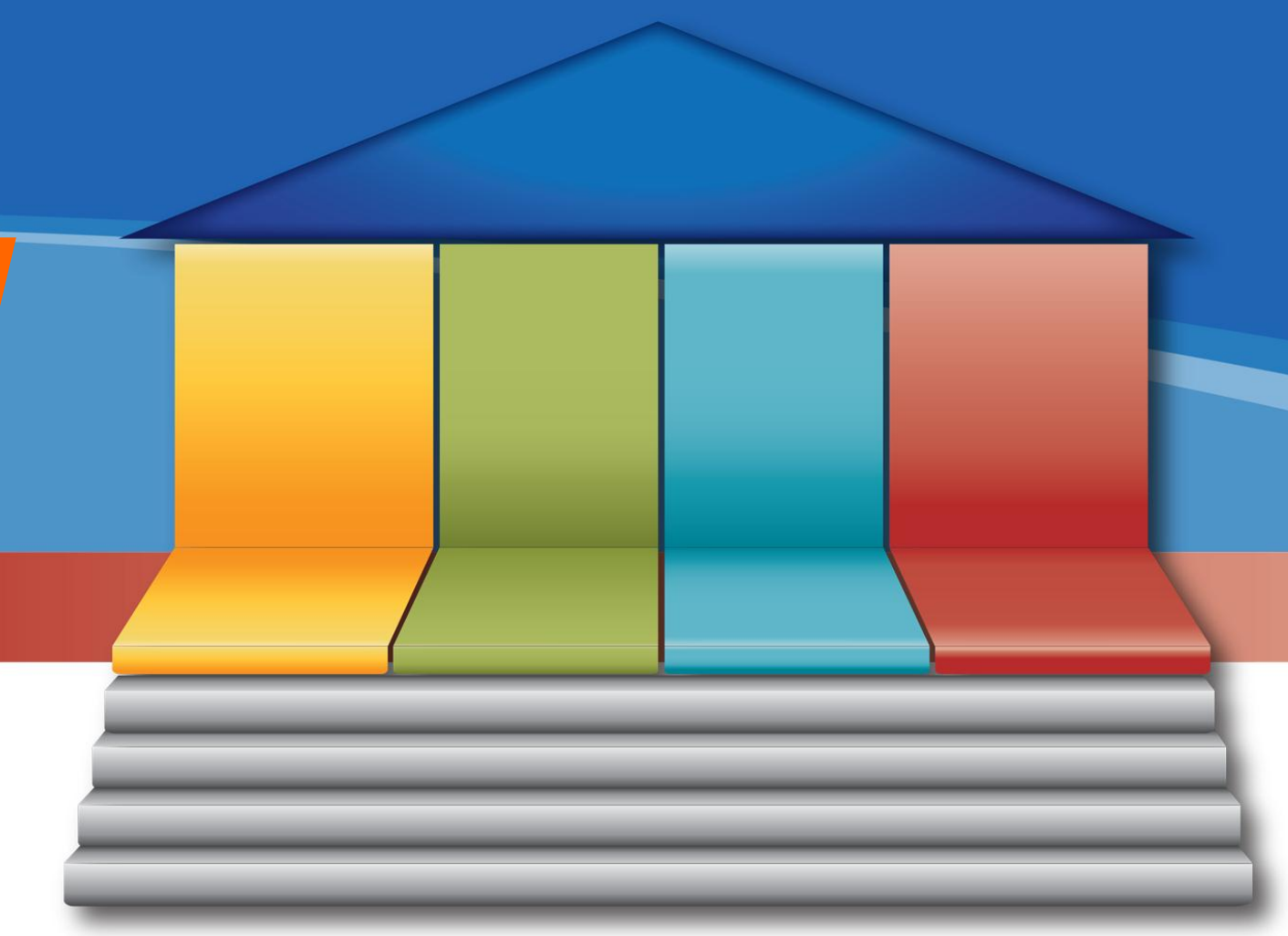
FUNDAMENTALS TOWARDS PROCUREMENT EXCELLENCE



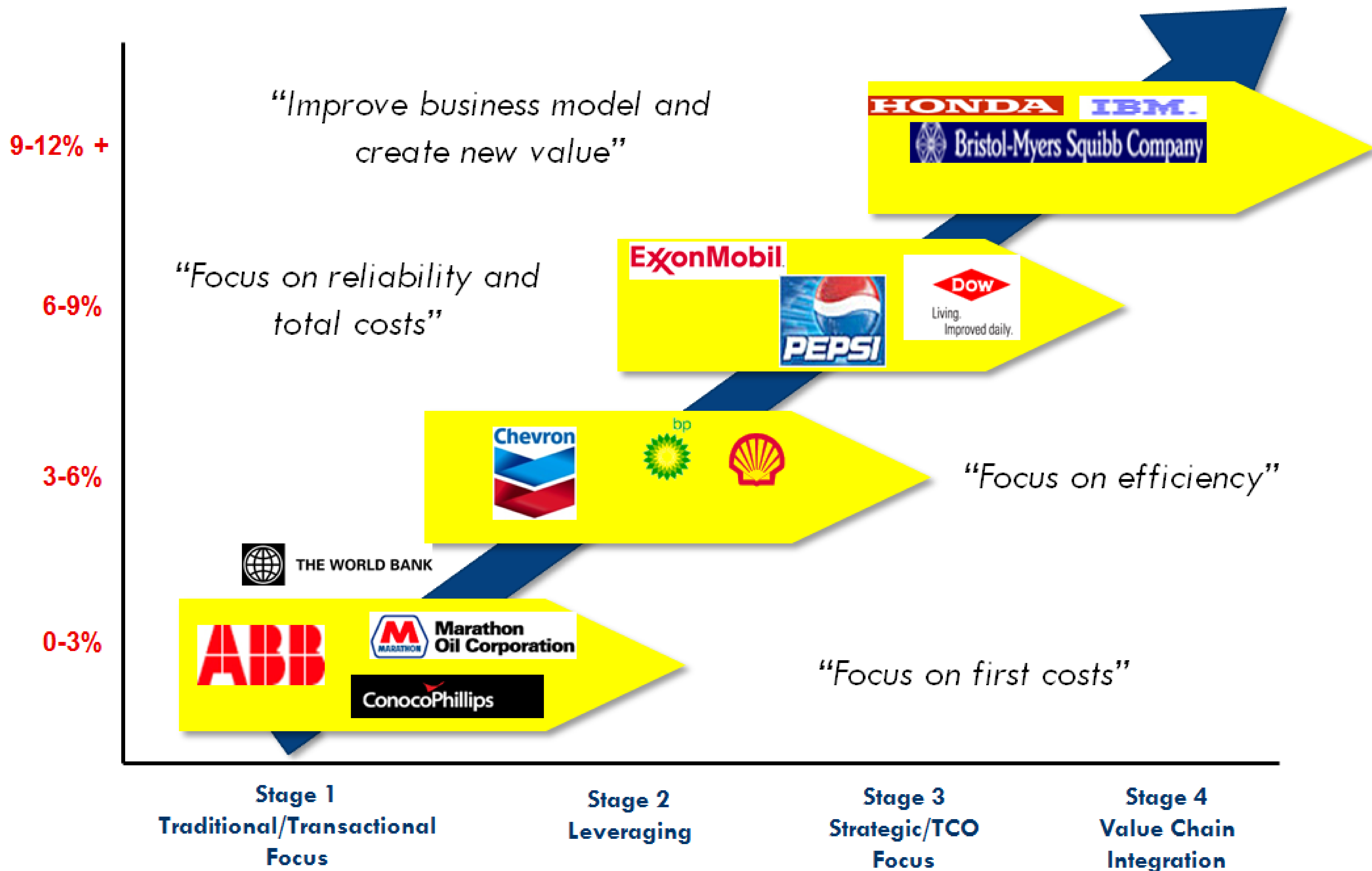
Procurement Excellence

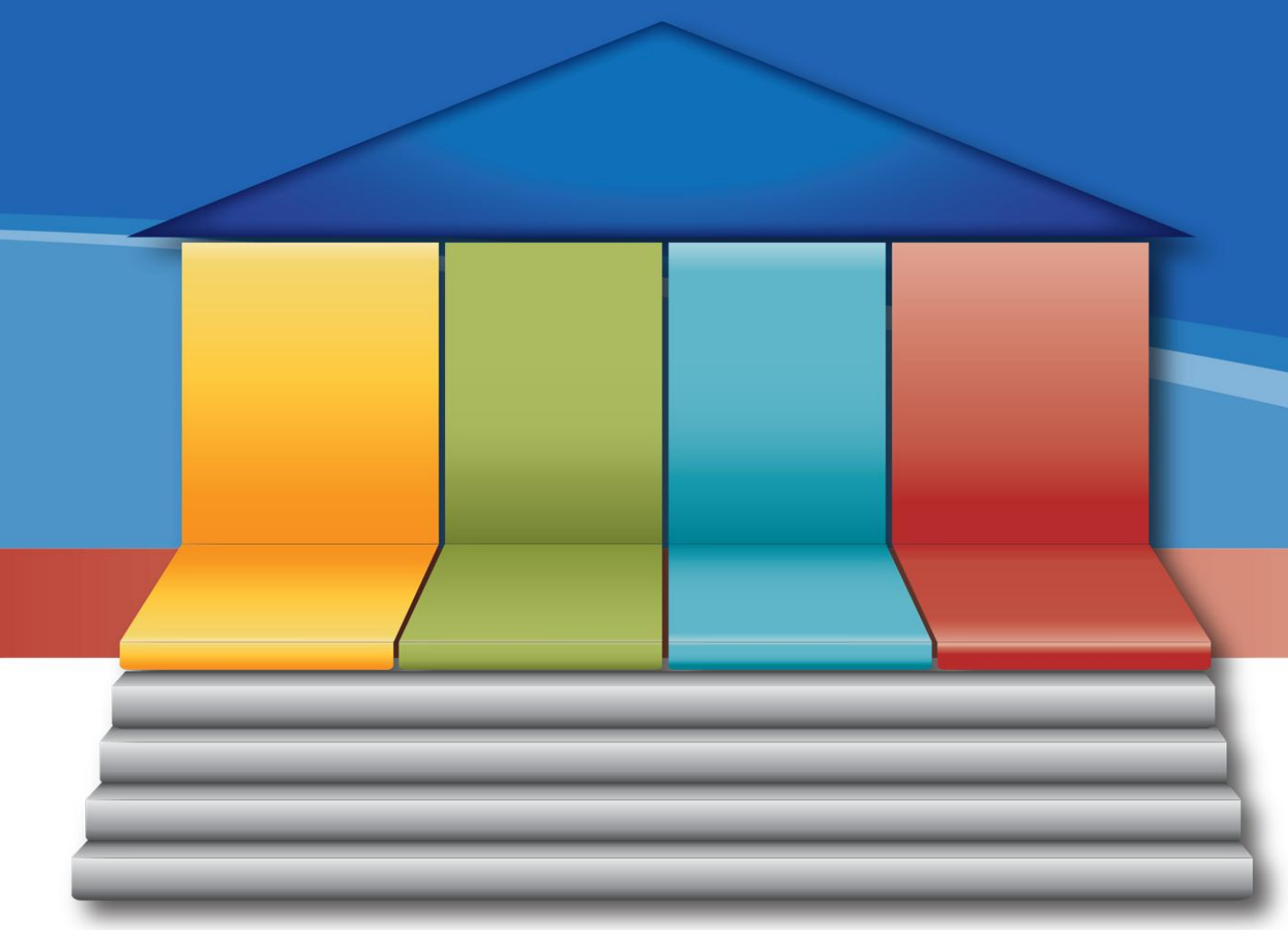


WHAT STAGE IS WORLD BANK AT NOW



Value Creation as a % of Spend





Global Benchmark

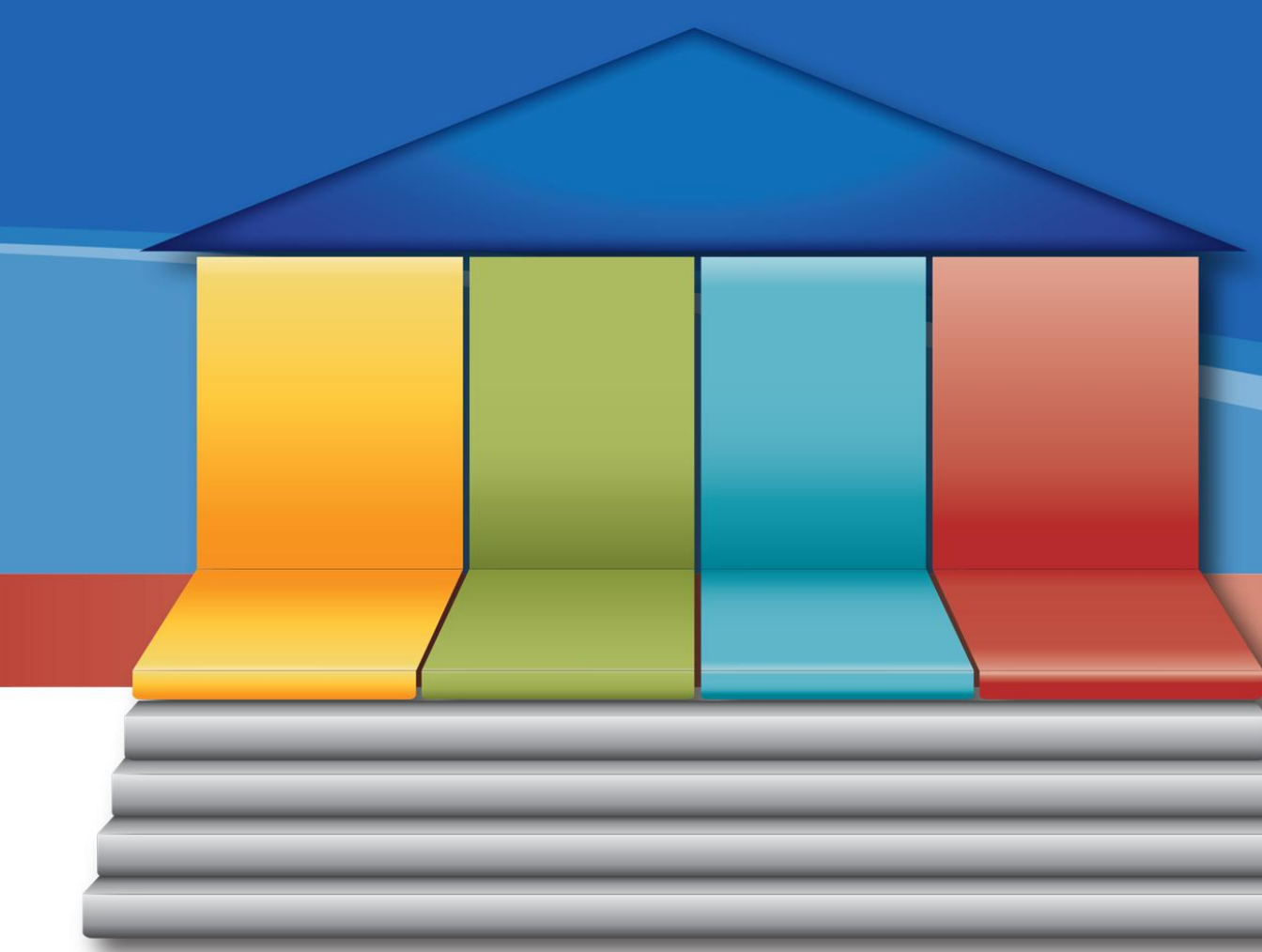
- 125 Peer organizations including Government/Public Sector, Financial Services globally including 50% Fortune 500 organizations.

World Bank Client Survey

- Survey results from 164 Business Partners across head Quarters, Regions and Country Offices inclusive of Corporate Procurement's self diagnosis.

WORLD BANK CORPORATE PROCUREMENT

ON THE JOURNEY TO BEST IN CLASS

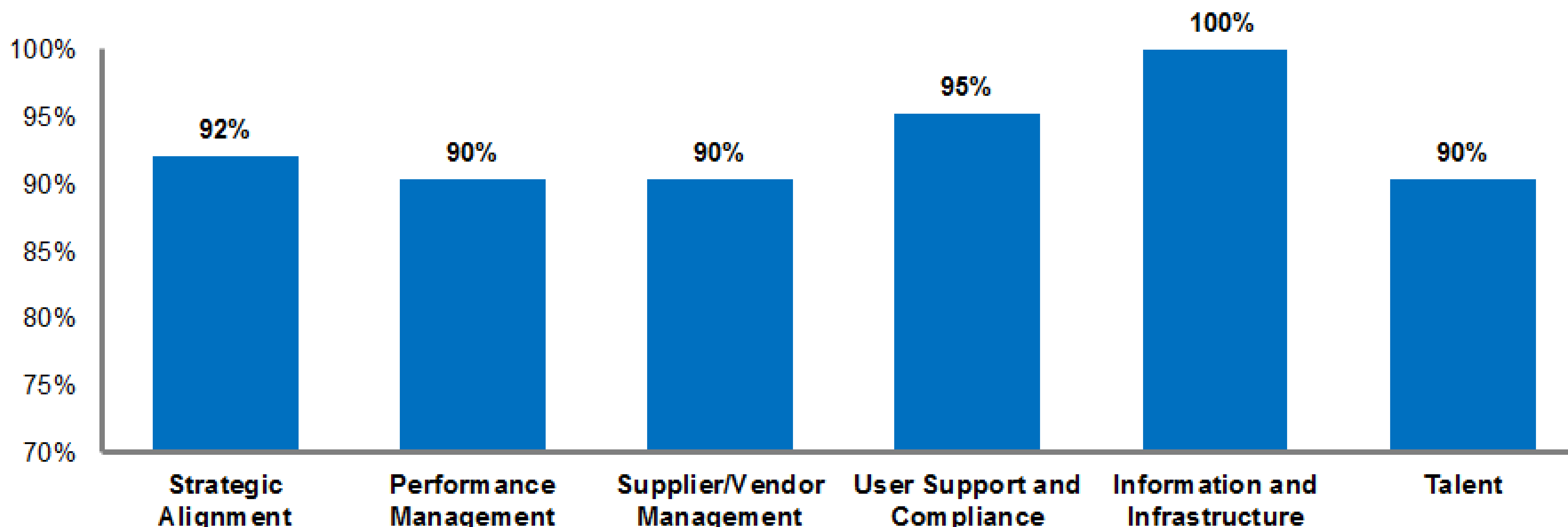


Overall **94%** of the way to **Best-in-Class***.

*Defined as Top Quartile companies within CEB's benchmark

N=164 World Bank business partner responses.

Business Partner Satisfaction Versus Best-in-Class



- Includes:**
- Business Understanding
 - Business Support
 - Role Definition
 - Procurement Solicitation
 - Goal Alignment

- Includes:**
- Procurement Processes
 - Decision-Making Support
 - Case for Collaboration
 - Improvement Opportunity Identification
 - Improvement Solutions
 - Strategic Initiative Contribution

- Includes:**
- Sourcing Support
 - Supplier Negotiation
 - Risk Management
 - Supplier Information
 - Supplier Improvement
 - Supplier Collaboration

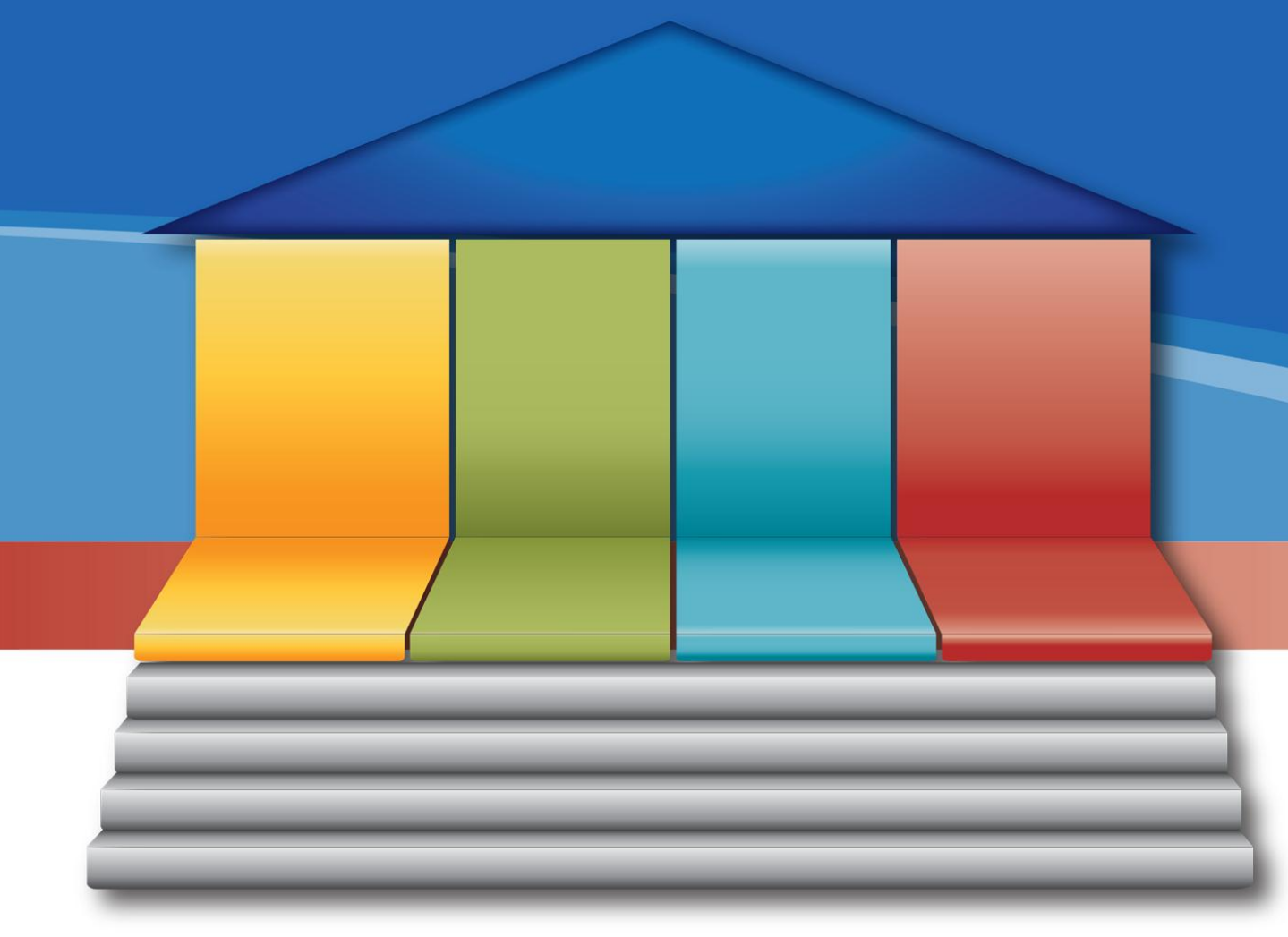
- Includes:**
- Communication Channels
 - User Training
 - Policy Development
 - Policy Enforcement
 - Exception Management

- Includes:**
- Reports and Data Sharing
 - Supplier Registration
 - Systems Integration
 - eProcurement Systems Development
 - Knowledge Management

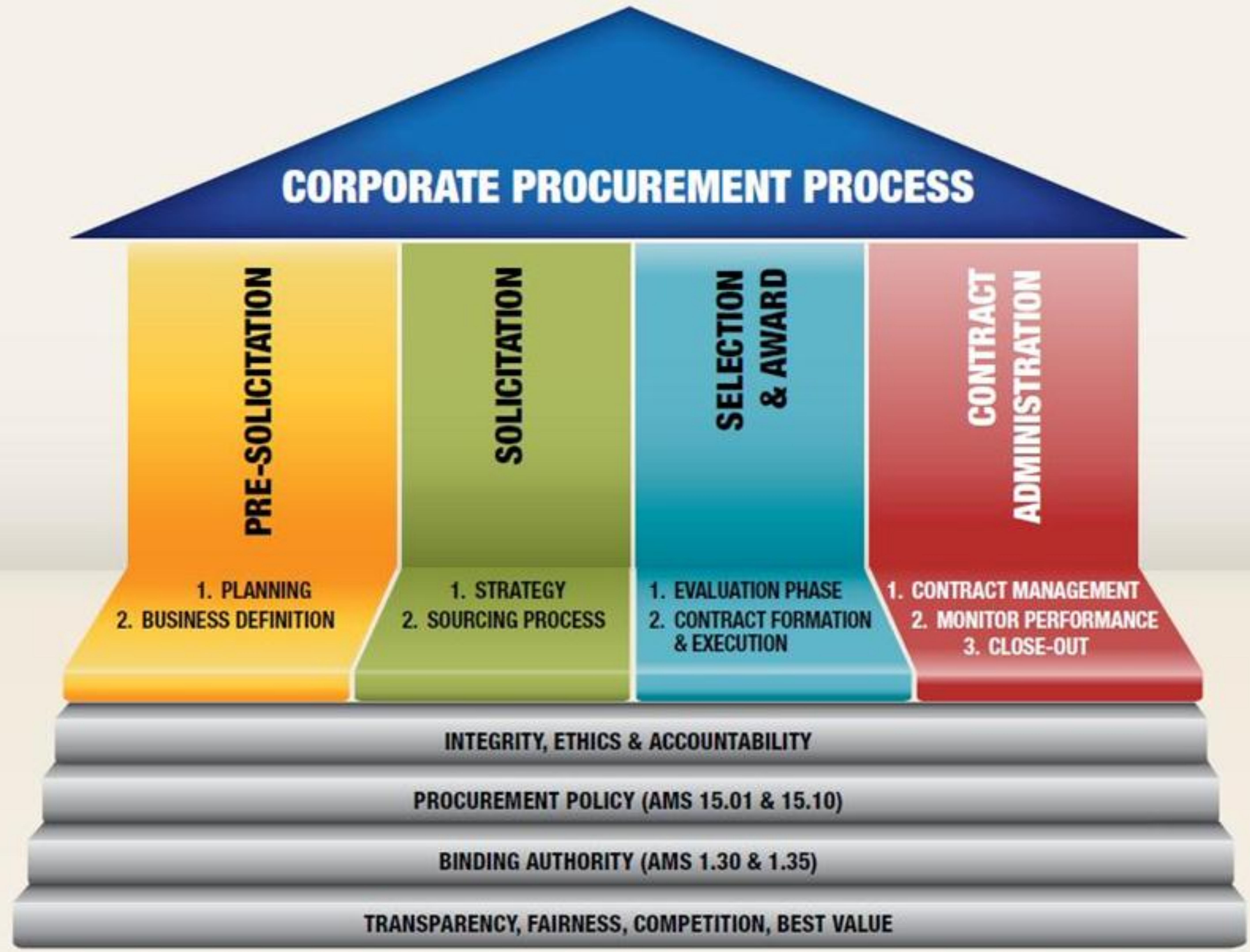
- Includes:**
- Procurement Expertise
 - Subject Matter Expertise
 - Service Orientation
 - Adaptability
 - Problem Solving



THE ROAD MAP—CORPORATE PROCUREMENT PROCESS

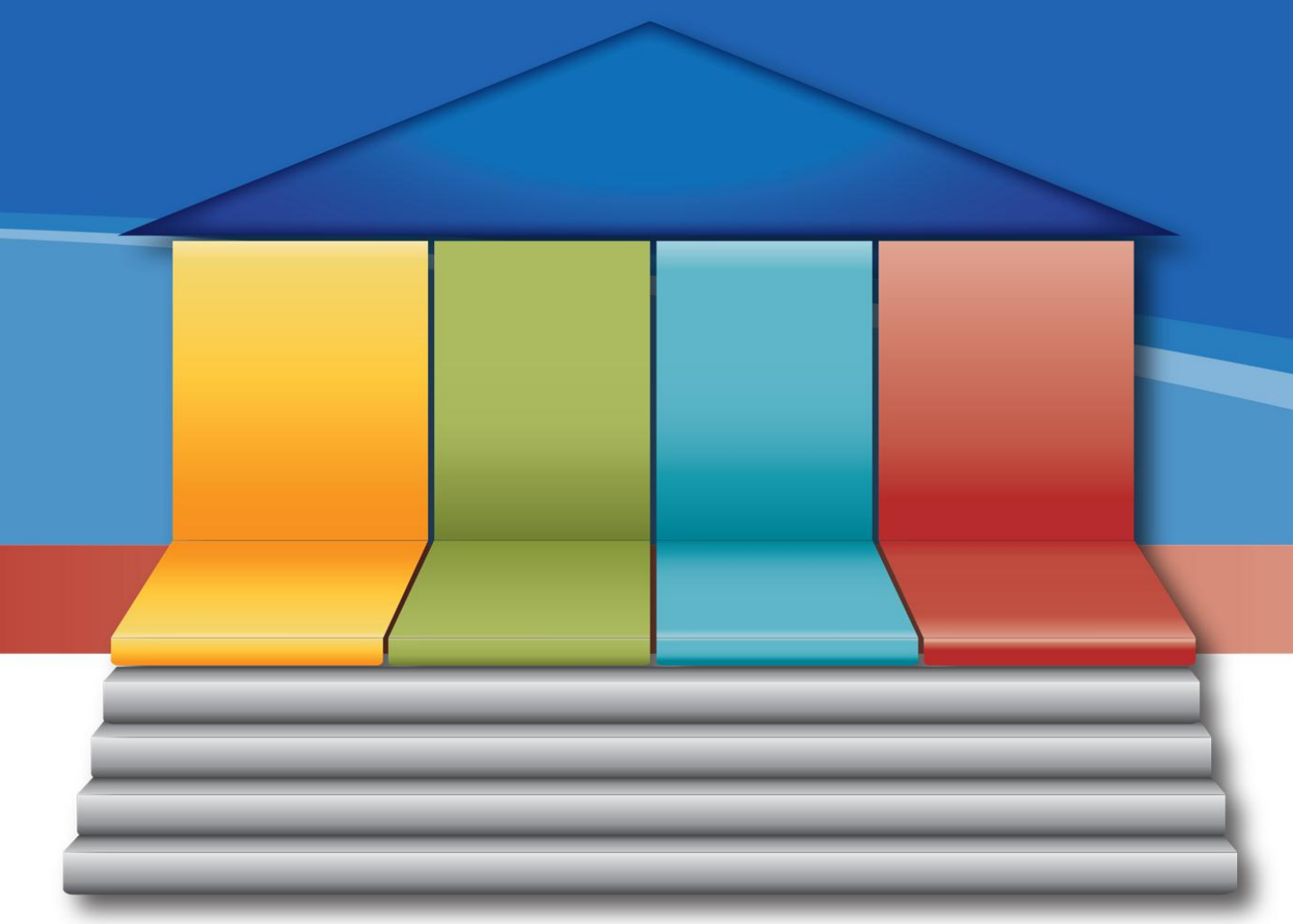


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CUSTOMER MANAGEMENT

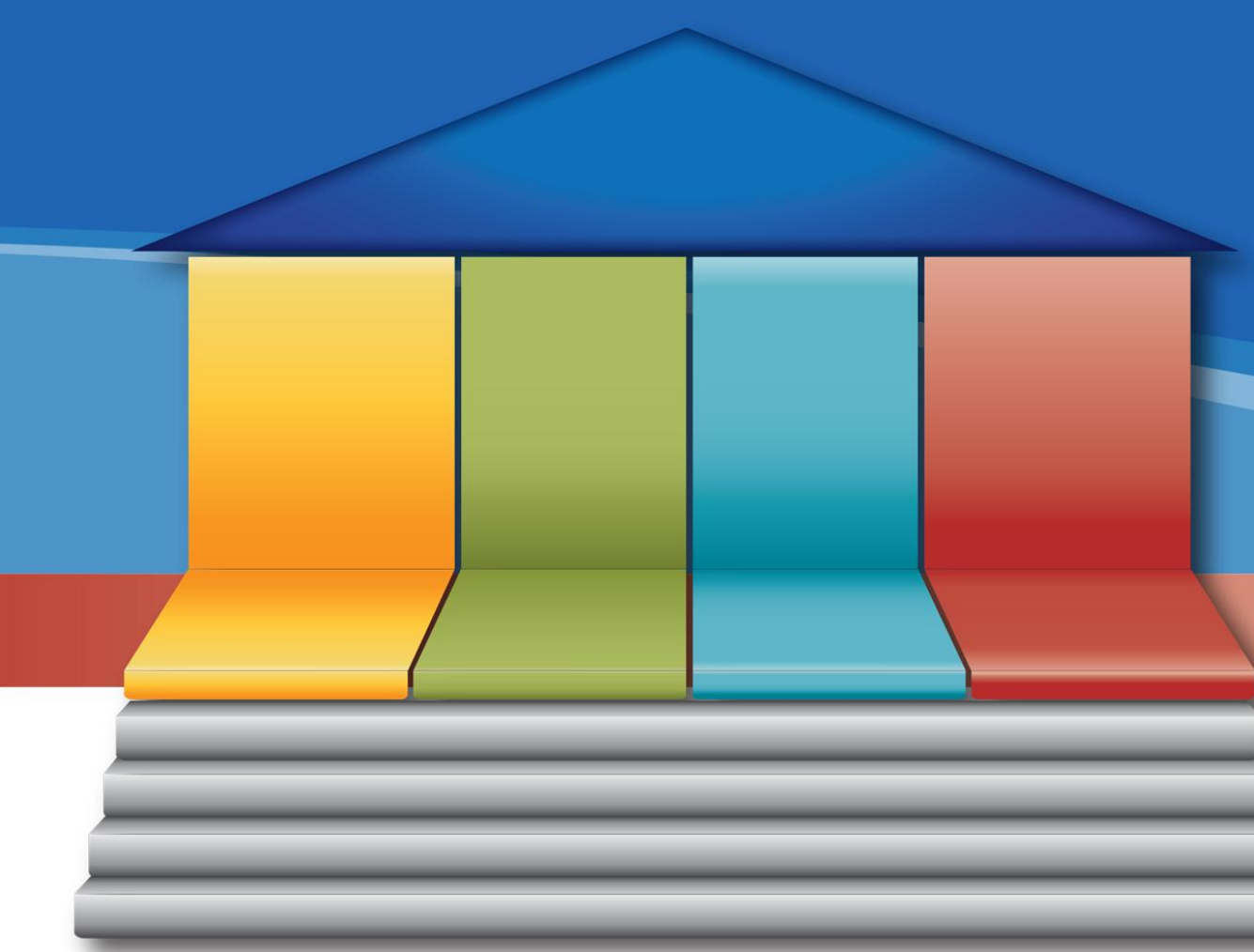


CUSTOMER MANAGEMENT

- Collaborative Solution-based Teams.
- Quality, accurate and detailed SOW, TOR and Specifications.
- Customer understanding of the Procurement Cycle Times, Target Times and Procurement Process.
- Procurement staff understanding Category/Commodity technical and market details.
- Measurement of the Procurement Cycle Times.



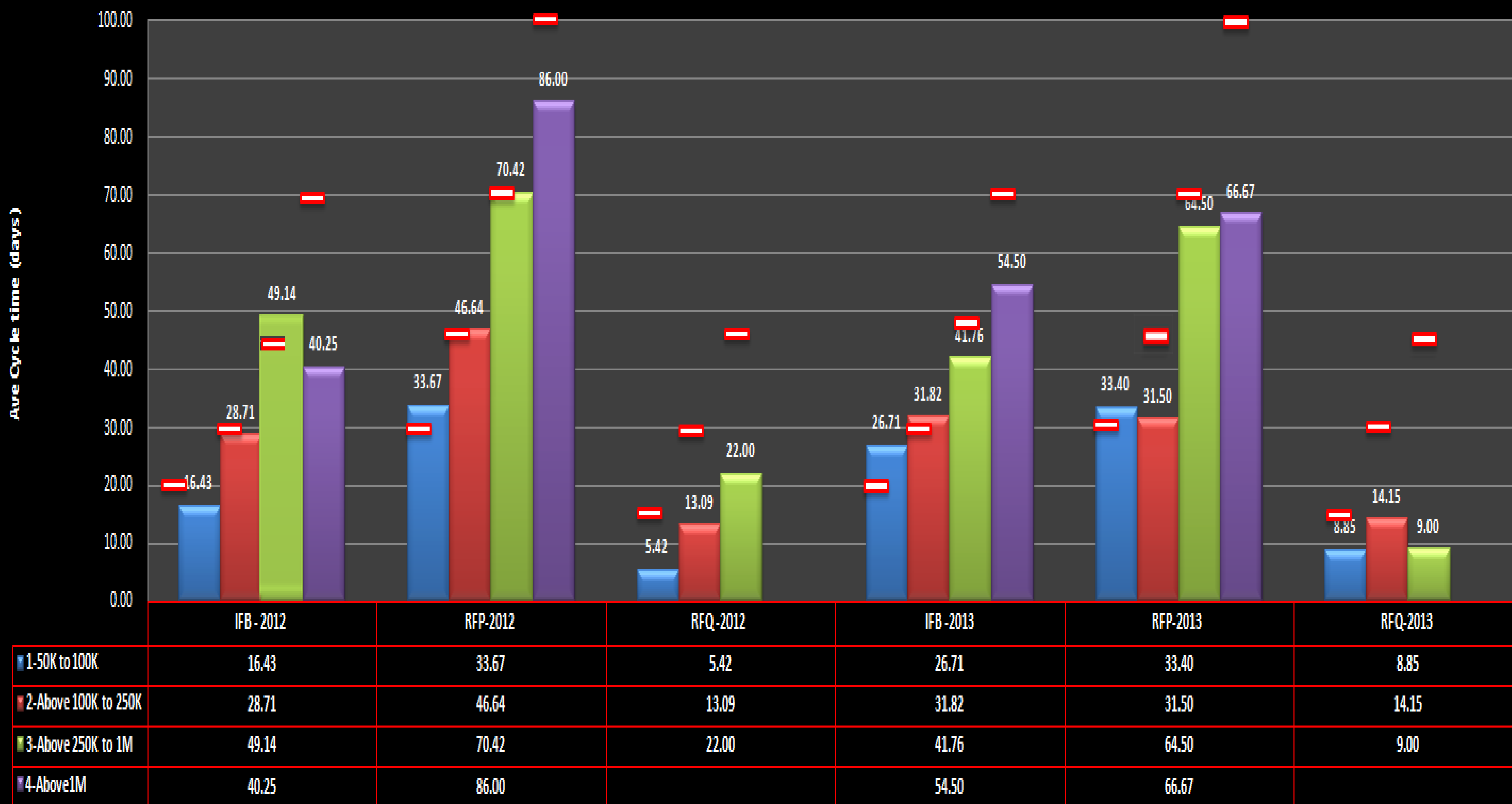
SDB Cycle Time Excluding Outliers



CUSTOMER MANAGEMENT

SDB Cycle Time Excluding Outliers (FY2012 -2013)

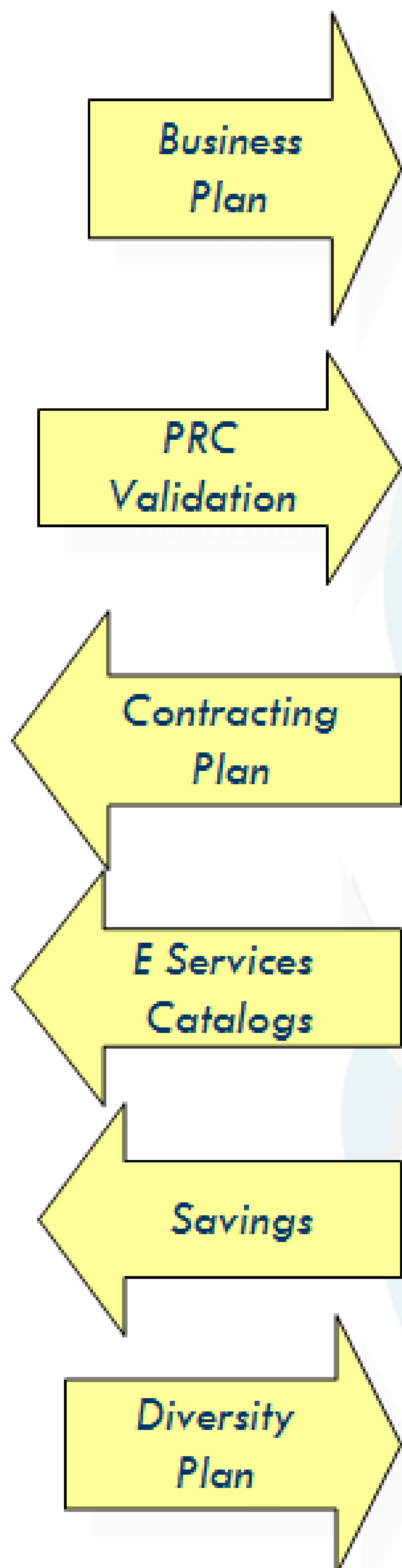
* Outliers >200% of Target Cycle time not included



CATEGORY MANAGEMENT PILLARS



CATEGORY MANAGEMENT



Procurement Planning

- Develop Category Strategy based on customer needs and priorities.
- Perform Spend Analysis to:
 - Determine category scope and boundaries.
 - Identify major suppliers.
 - Identify optimization opportunities across customer groups.
- Determine key suppliers based on risk, priorities, and potential value creation.
- Identify sourcing or renegotiation activities, in conjunction with category plans.
- Coalesce global market intelligence with regional and local market knowledge to arrive at the view of where prices are going.

Sourcing and Renegotiation

- Develop Sourcing Strategy.
- Analyze suppliers' past performance and market dynamics.
- Identify local content or diversity opportunities.
- Make renegotiate and or source decision and develop associated plan.
- Utilize Corporate Category Management, Sourcing Resources, and Stakeholder Technical Experts as appropriate.
- Perform renegotiations and or sourcing.
- Execute agreement and develop implementation plan.

Supplier Management

- Identify level of Supplier Management needed.
- Develop relationship charter with Key Supplier and World Bank representative:
 - Goals for each organization.
 - Meeting structure and frequency.
- Identify team members (including technical experts) for each key supplier.
- Develop joint Supplier Performance Matrices, Business Plan, including Specific Initiatives and Meeting Schedules and Formats.

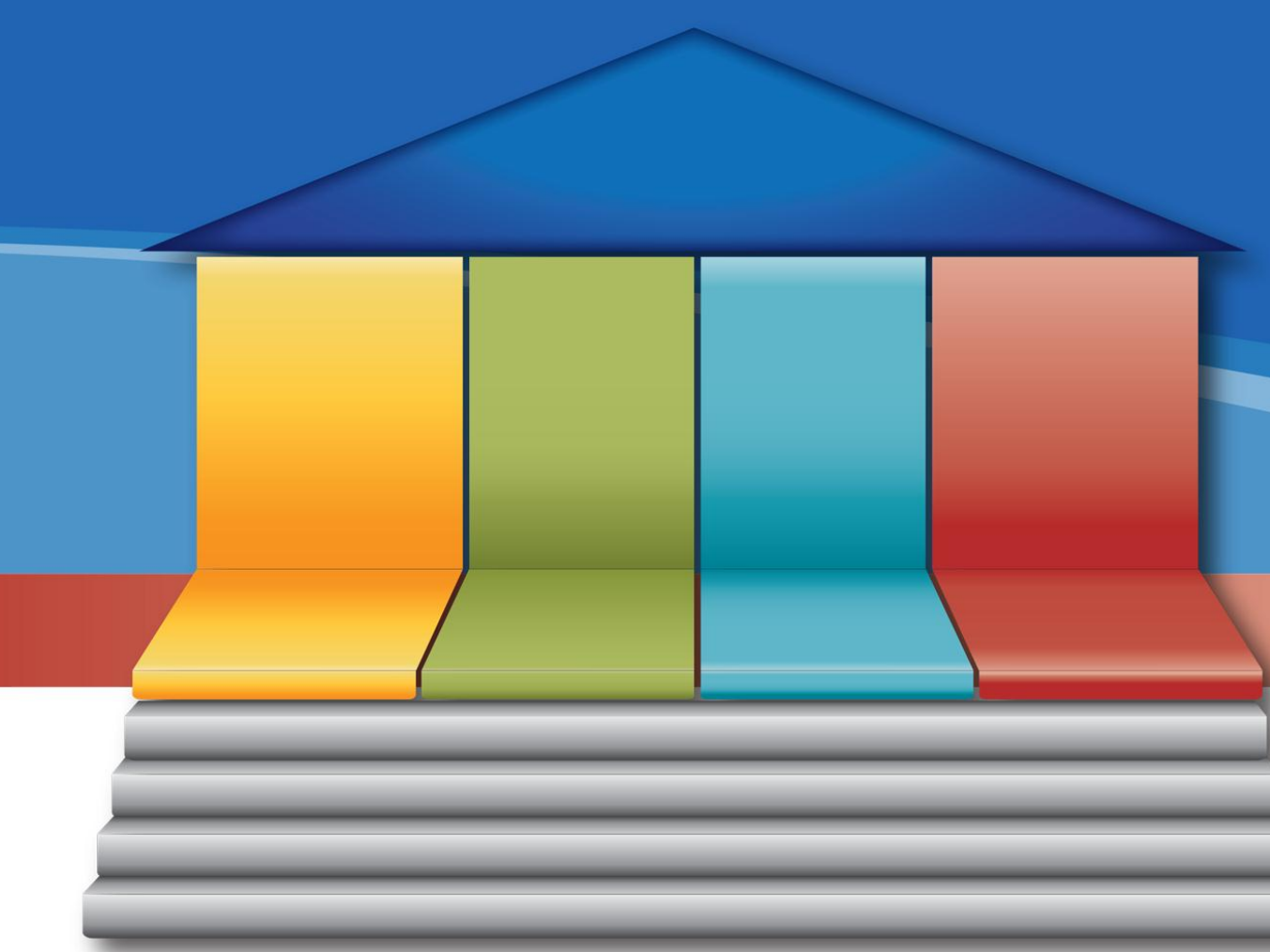
Standard Deliverables

Procurement Plan

Documented Efficiency, TCO and Value Creation

Structured relationships with key suppliers focused on new technology, efficiency and savings goals

SUPPLIER MARKET ANALYSIS IMT CATEGORY



CATEGORY MANAGEMENT

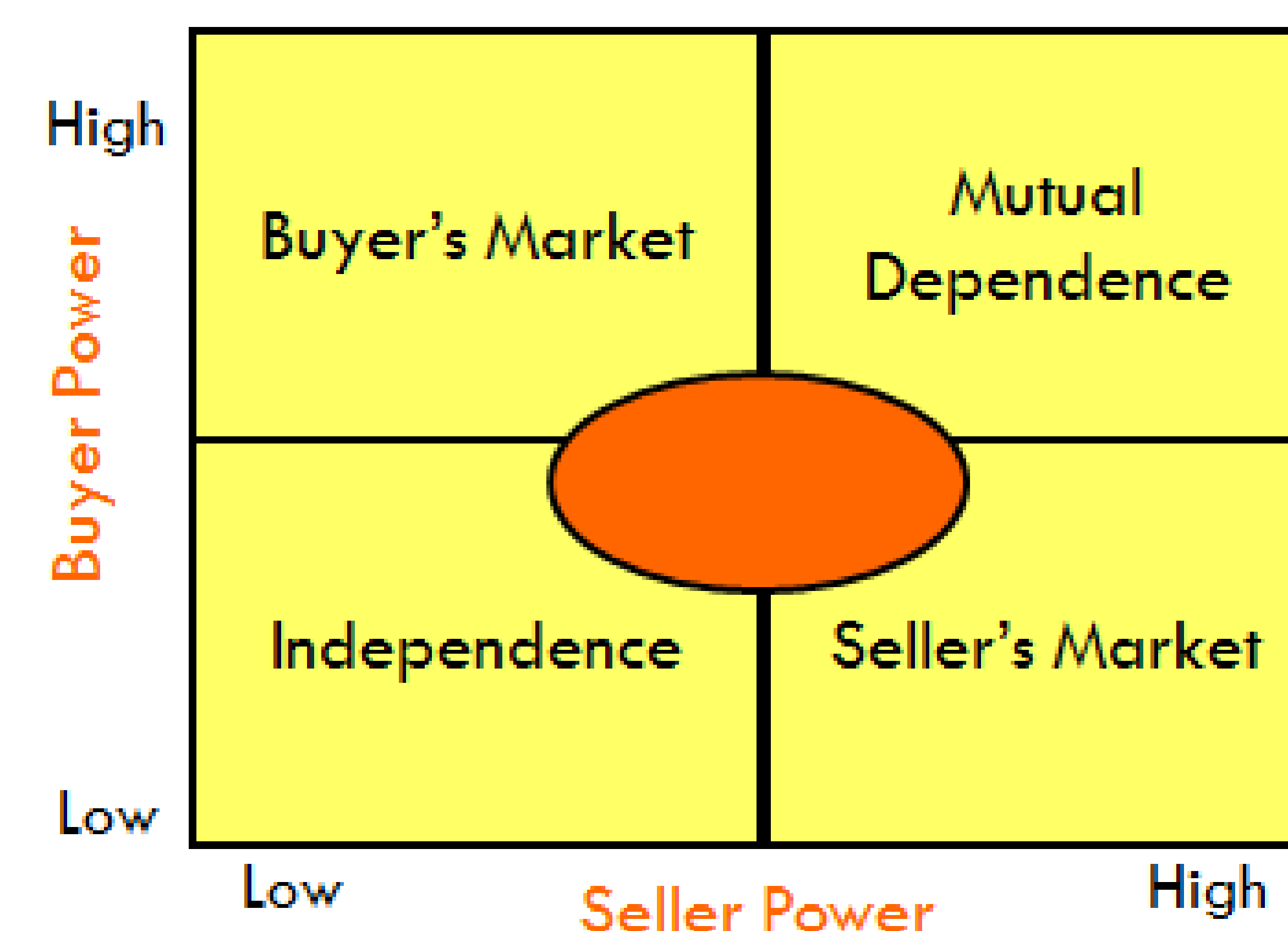
Market Characteristics

- Analysis of the IMT Software and Licenses. Key suppliers and spend analysis with market activity and forecast.
- Analysis of the WB Hardware requirements. Key suppliers and spend analysis with market activity and forecast.
- Analysis of the IMT Services WB requirements. Key suppliers and spend analysis with market activity and forecast.

Supply Market Analysis

- **Software and Licenses:**
 - Increase in Software packages and Licenses requirement for specific customers. Key suppliers increasing activity and infrastructure through regional hubs and channels with most concentration in India and South East Asia.
- **Hardware:**
 - Increase in manufacturing from South East Asia notably Malaysia for Pacific region. Regional Master agreements under strategic review and discussion. Printers, and laptops standardization study leading to Global contract strategy.
- **IMT Services & Support:**
 - Key suppliers benefit from competitive bid strategy. Technical discussion with customers for inclusion of scope for maximum leverage in future.
 - Opportunity to consider additional provider to be included on competitive basis.

Supply Market Power

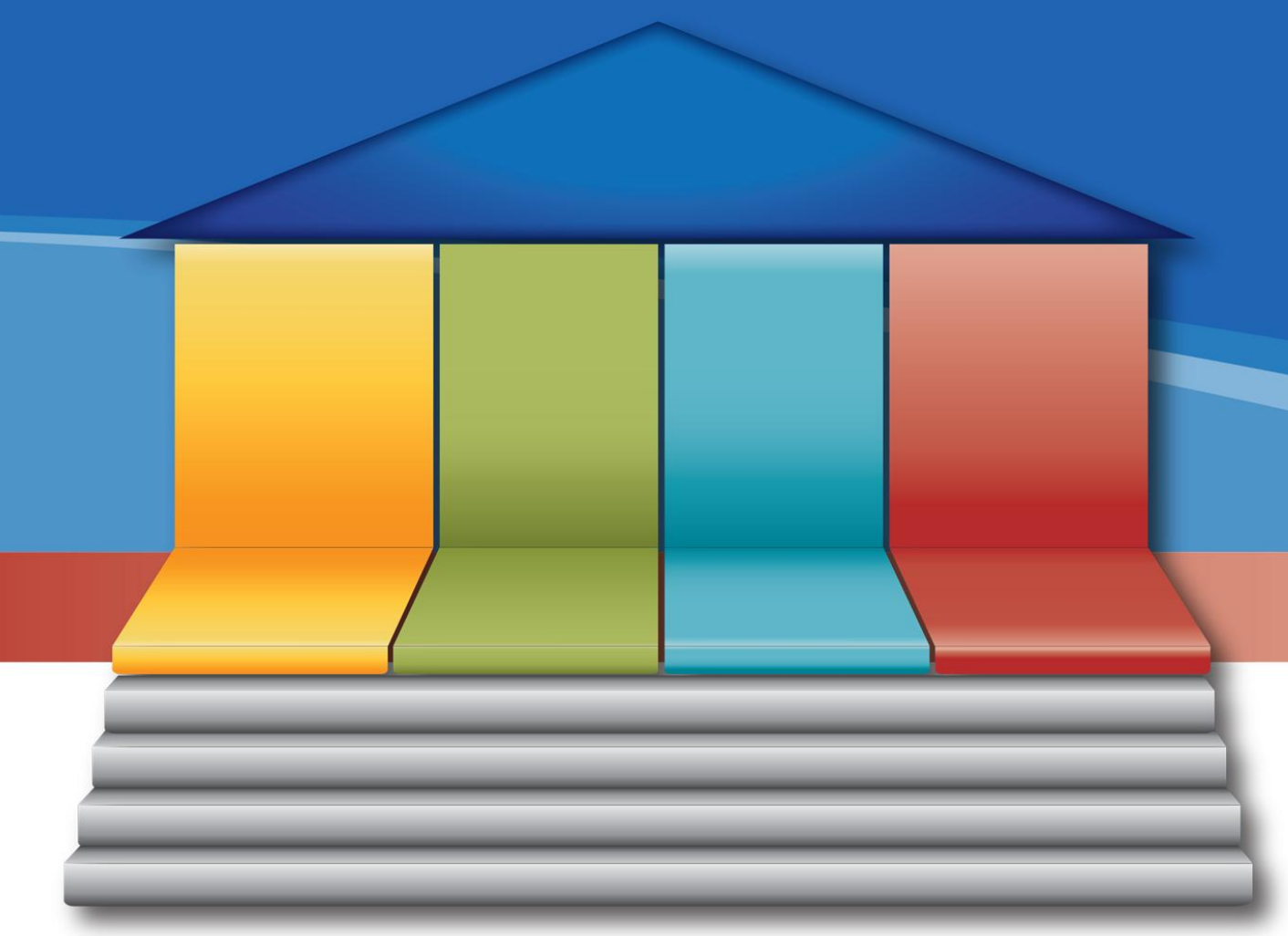


Best Practices

- | | |
|---|---|
| <ul style="list-style-type: none"> ▪ Industry: <ul style="list-style-type: none"> • Formalized Supplier Management and Supplier relationship leads to improved efficiency and cost benefits. • Consolidation of key market players in services and cloud service delivery will lead to new strategic approach. • IMT industry seeking increase in customer base and opportunity for leverage and savings exists 2011. | <ul style="list-style-type: none"> ▪ World Bank Specific: <ul style="list-style-type: none"> • Track spend to segment suppliers and establish supplier relationships as appropriate. • Implement Category Management process to ensure reliability of service and supply and improved performance management with tools such as scorecards and other matrices. |
|---|---|

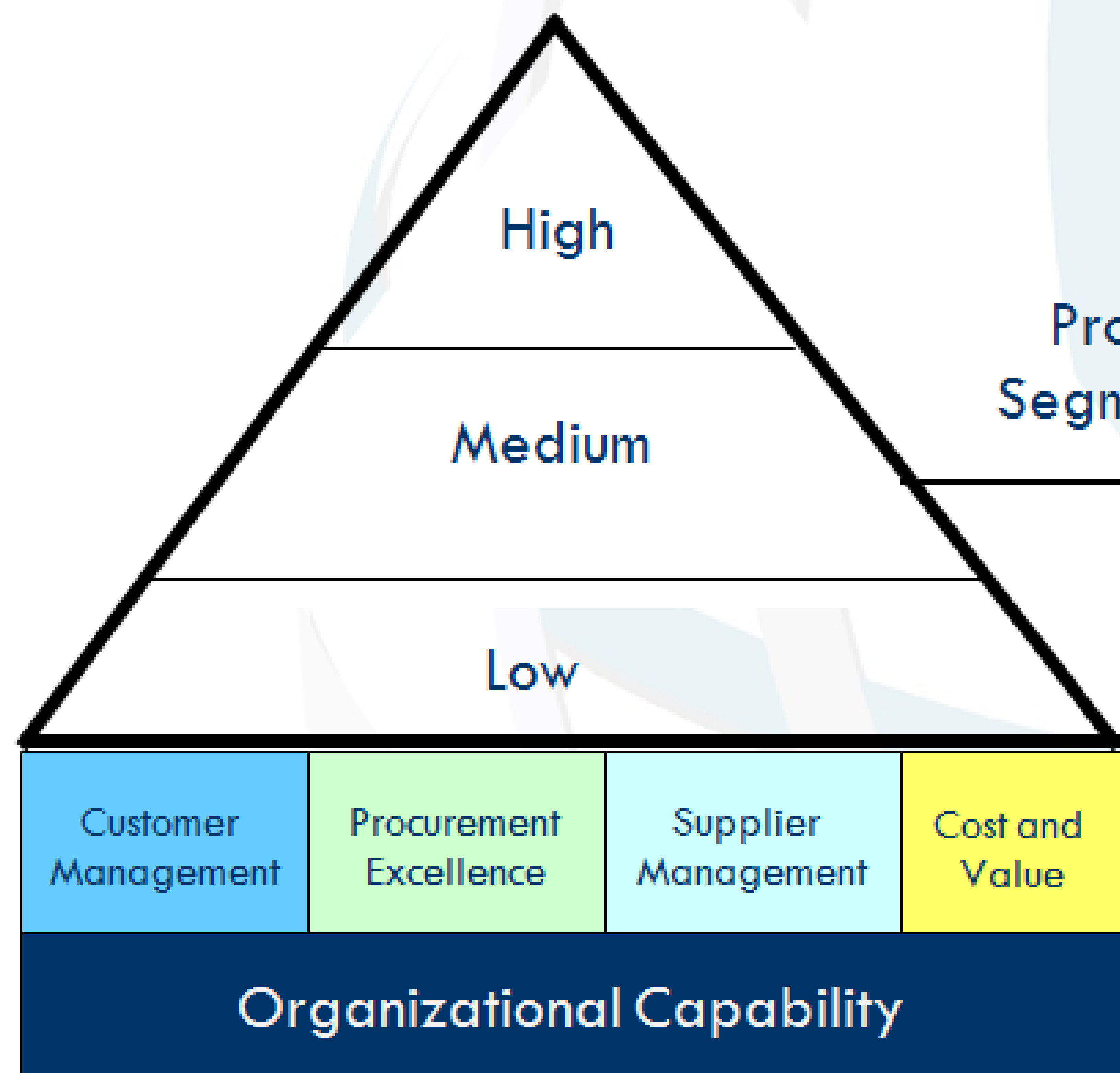


SUPPLIER AND RISK MANAGEMENT

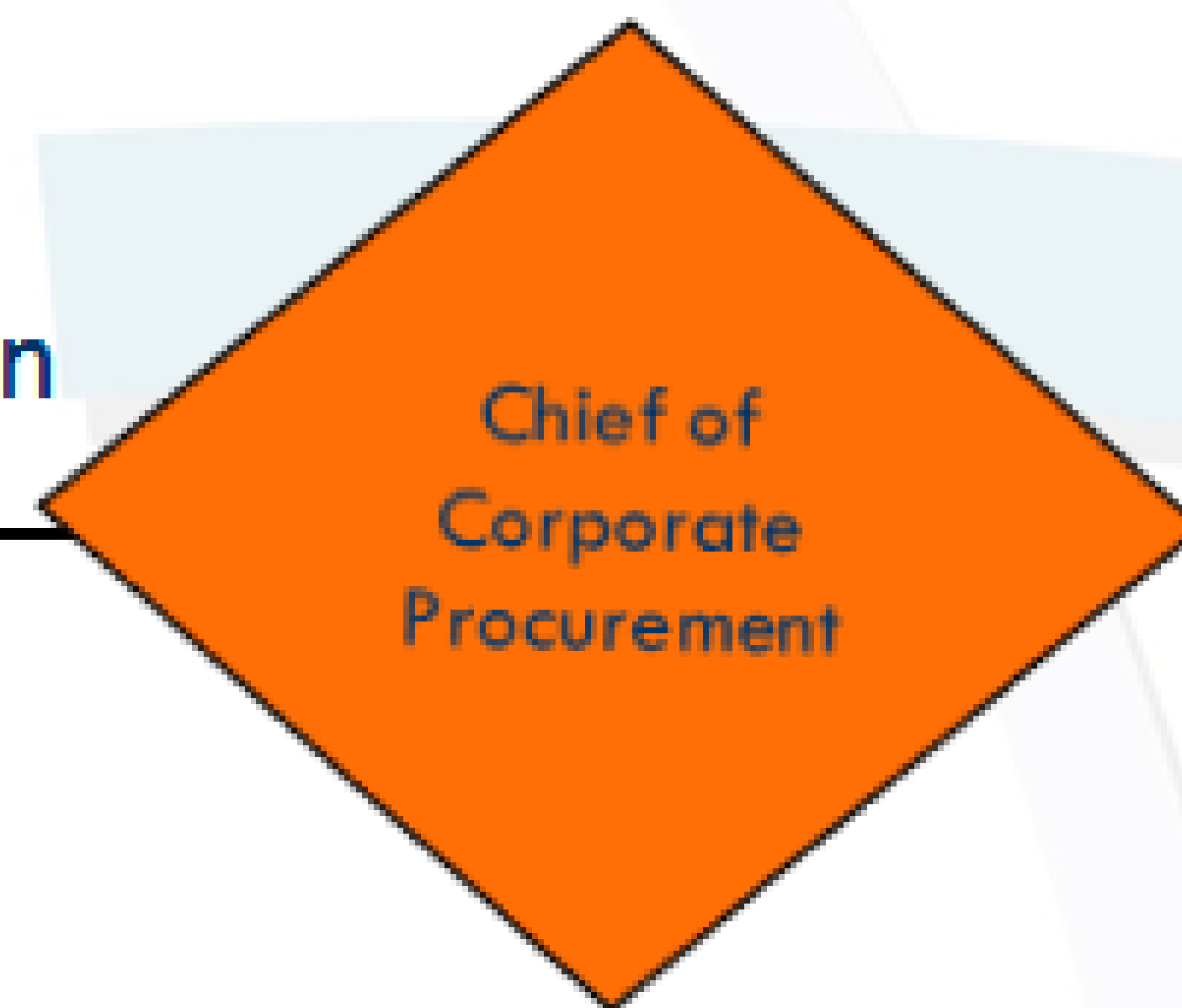


CATEGORY MANAGEMENT

Supplier Segmentation Tool



Proposed Segmentation



Endorsed Segmentation

Supplier Management Standard Deliverables

High

- **SHALL:** Deliverables and focus for Strategic Management.
 - Meeting Charter.
 - Business Plan.
 - Scorecard.

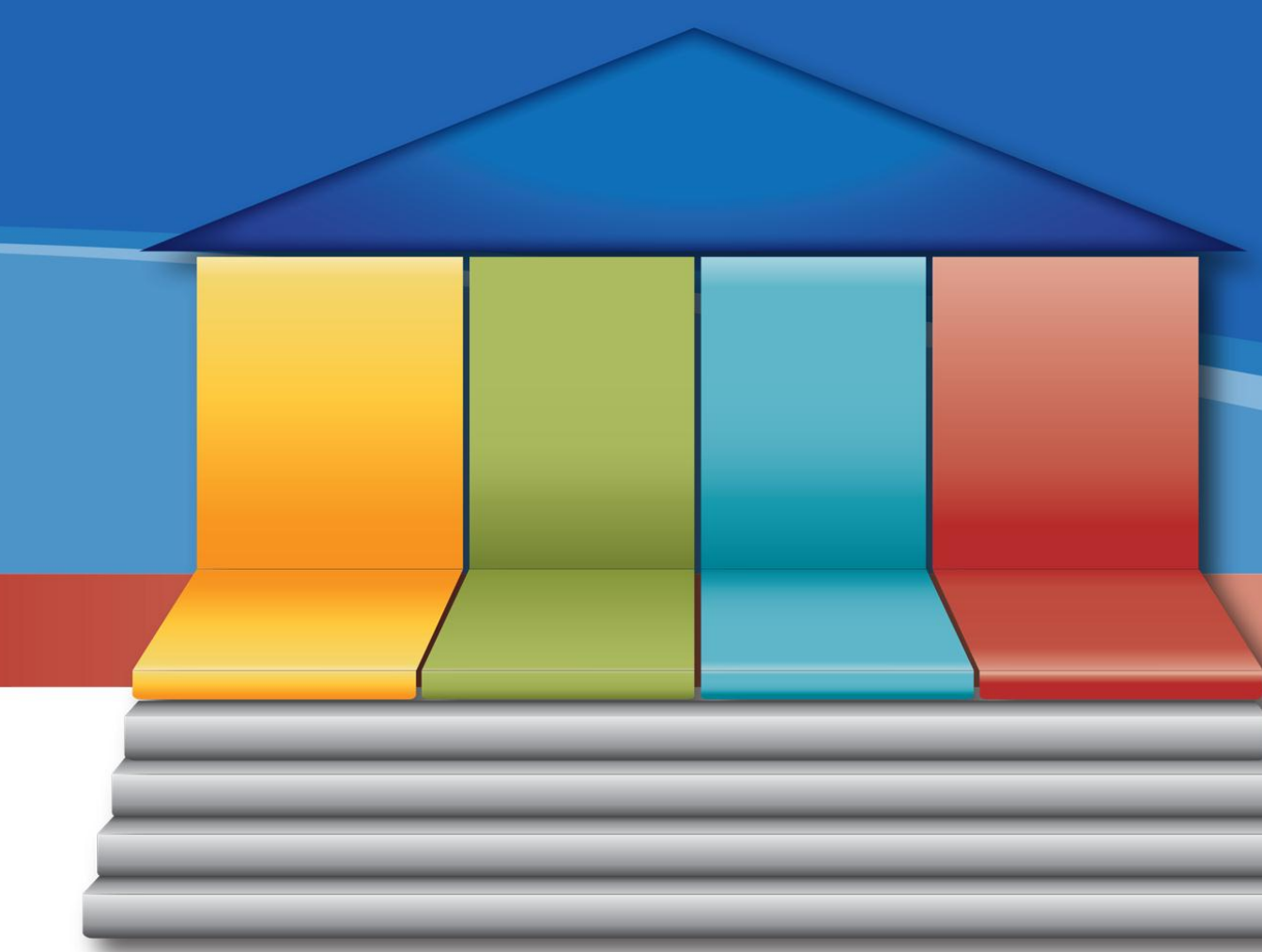
Medium

- **SHOULD:**
 - Meeting Schedule.
 - Scorecard.

Low



CONTRACT RISK ASSESSMENT MATRIX



CATEGORY MANAGEMENT

WORLD BANK GROUP CONTRACT RISK ASSESSMENT MATRIX

Scores:	CONTRACT RISK CATEGORY
8 - 12	"High Risk"
3 - 6	"Medium Risk"
1 - 2	"Low Risk"

1. Likelihood Description and Incidences	
Description	Index
Reasonable to expect that the risk/event will occur during the contract.	3 Likely
Negative conditions may allow the risk/event to occur in the contract, OR the risk/event has occurred in a similar contract recently ¹ within the WBG	2 Occasional
Low probability of risk/event occurring during the contract.	1 Unlikely

Increasing likelihood

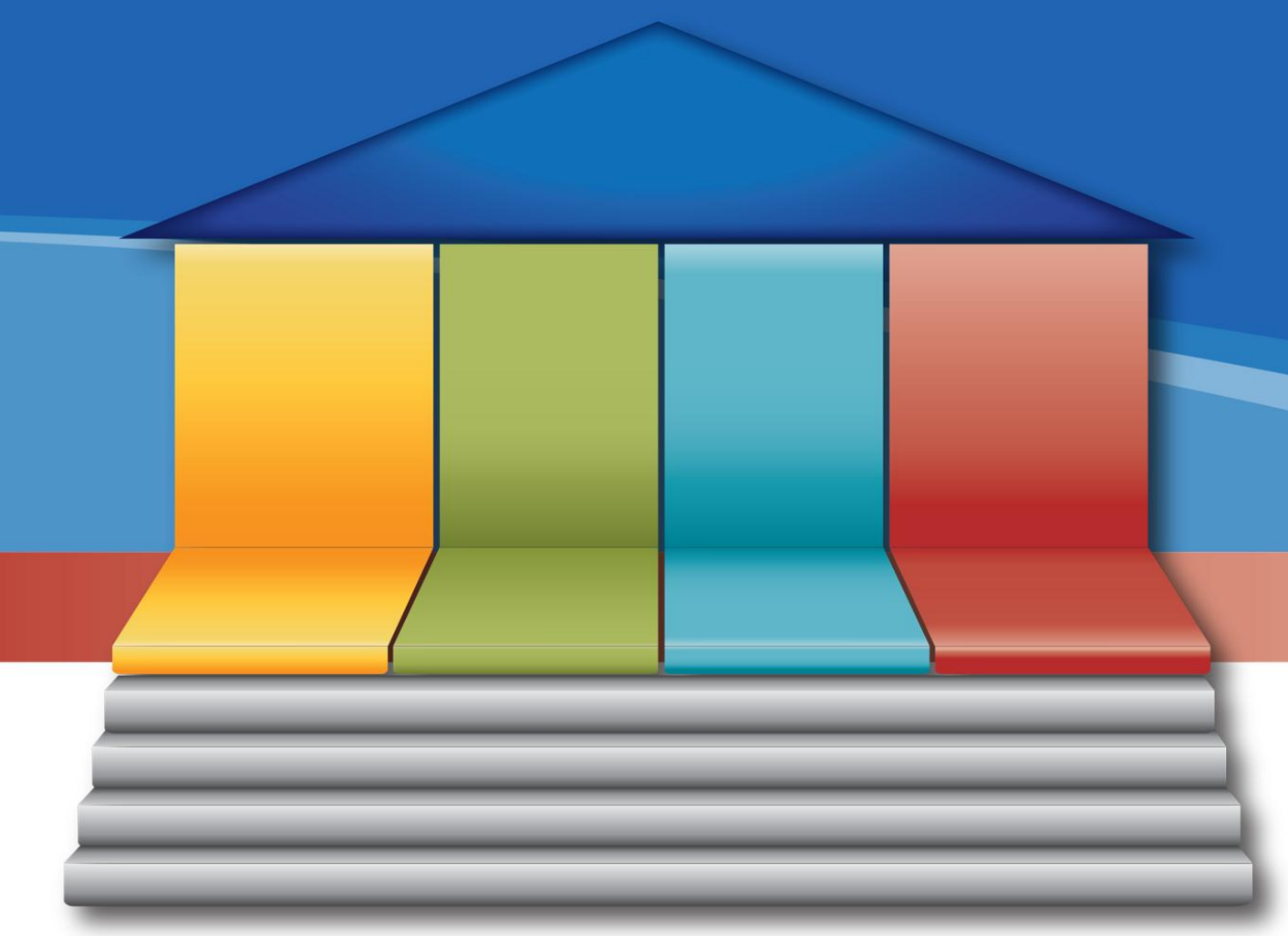
3	6	9	12
2	4	6	8
1	2	3	4

Increasing consequence/Impact

2. Risk Factors	Consequences Description and Indexes	Index	1	2	3	4
Event/Issues to be considered			Incidental	Minor	Moderate	Major
Contract Complexity			Contract for less than a year, Fixed prices, little contracts administration.	Multi years contract, fixed prices or reimbursable type, minimal contract administration.	Complex pricing models, multiple years with price escalations, moderate client management & control issues	Complex WBG-wide impact, high client interaction & project management, financial and control factors, complex vendor interaction and relationship
Business and Operational Risk			Low risk that event or failure results in damage to financial loss, litigation and/or compliance	Performance failure results in minor risk to reputation, financial loss, litigation and/or compliance, operation disruption	Performance failure results in moderate risk to reputation, financial loss, litigation and/or compliance, operation disruption	High risk that event or failure results in damage to reputation, financial loss, litigation and/or compliance, Bank Group's operation, staff safety and benefits
Contract Value			Contract Value (Total Contract value for expected original contract term)	Value <USD1m	>USD1m - <USD10m	>USD10m - <USD20m



SUPPLIER PERFORMANCE SCORECARD



VENDOR MANAGEMENT

Supplier & World Bank Scorecard

Customer Group: Corporate Procurement Review Period:
 Country:
 Category:

Spend: Overall savings:

Delivery and Quality of Scope		Scoring Criteria			Actual Value	Score	Weighted Score	Metric Weight
Metric	Weight	C ¹	B ²	A ³				
Delivery of Quality (Scale 1-10)	20%	0	5	7	7	3	0.6	40%
Delivery in time (Number of days)	20%	>5	5	<5	6.0	1	0.2	
Final Completion Report completed on time	10%	No		Yes	Yes	3	0.3	
No productive time %	20%	>5	5	<5	4	3	0.6	
Quality and Specification Report (Scale 1-10)	30%	0	5	7	6	2	0.6	
Total	100%						2.3	Grade: B

Comments:

Reliability & Efficiency		Scoring Criteria			Actual Value	Score	Weighted Score	Metric Weight
Metric	Weight	C ¹	B ²	A ³				
Accuracy (Errors by Exception)	50%	< 95%	95%	> 97%	98%	3	1.5	30%
Responsiveness	50%	<95%	95%	100%	95%	2	1	
Total	100%						2.5	Grade: A

Comments:

Value Creation		Scoring Criteria			Actual Value	Score	Weighted Score	Metric Weight
Metric	Weight	C ¹	B ²	A ³				
Savings Relative to Q1 Target	25%	85	80	100	100	3	0.75	20%
Savings Relative to Q2 Target	25%	85	80	100	85	2	0.5	
Savings Relative to Q3 Target	25%	85	80	100	86	2		
Savings Relative to Q4 Target	25%	85	80	100	72	1	0.25	
Total	100%						1.5	Grade: C

Comments: TCO Savings scoring criteria to be determined based upon results from Q1

Innovations:		Scoring Criteria			Actual Value	Score	Weighted Score	Metric Weight
Metric	Weight	C ¹	B ²	A ³				
Category Management Progress %	33%	25	50	80	24	1	0.33	5%
Cycle Time Progress %	33%	25	50	80	80	3	0.99	
Help Desk Progress Target %	33%	25	30	60	40	2	0.66	
Total	99%						1.98	Grade: B

Comments:

Survey Customer Feedback		Scoring Criteria			Actual Value	Score	Weighted Score	Metric Weight
Metric	Weight	C ¹	B ²	A ³				
Delivery and Quality %	25%	<80	80	85	75.0	1	0.25	5%
Reliability and Efficiency %	25%	<80	80	85	84	2	0.5	
Management Support %	25%	<80	80	85	86	3	0.75	
Team Work and Communication %	25%	<80	80	85	87	3	0.75	
Total	100%						2.25	Grade: B

Comments: Develop a quarterly survey for the WB to ensure leading indicators

Grade Definitions:

Superior Performance (A): ≥ 2.5
 Satisfactory Performance (B): ≥ 1.5 and < 2.5
 Unsatisfactory Performance (C): < 1.5

Metric	Grade	Score	Weight	Total
Delivery and Quality	B	2.3	40%	0.92
Reliability and Efficiency	A	2.5	30%	0.75
Value Creation	C	1.5	20%	0.3
Innovations	B	1.98	5%	0.099
Survey Customer Feedb	B	2.25	5%	0.1125
Total			100%	2.1815

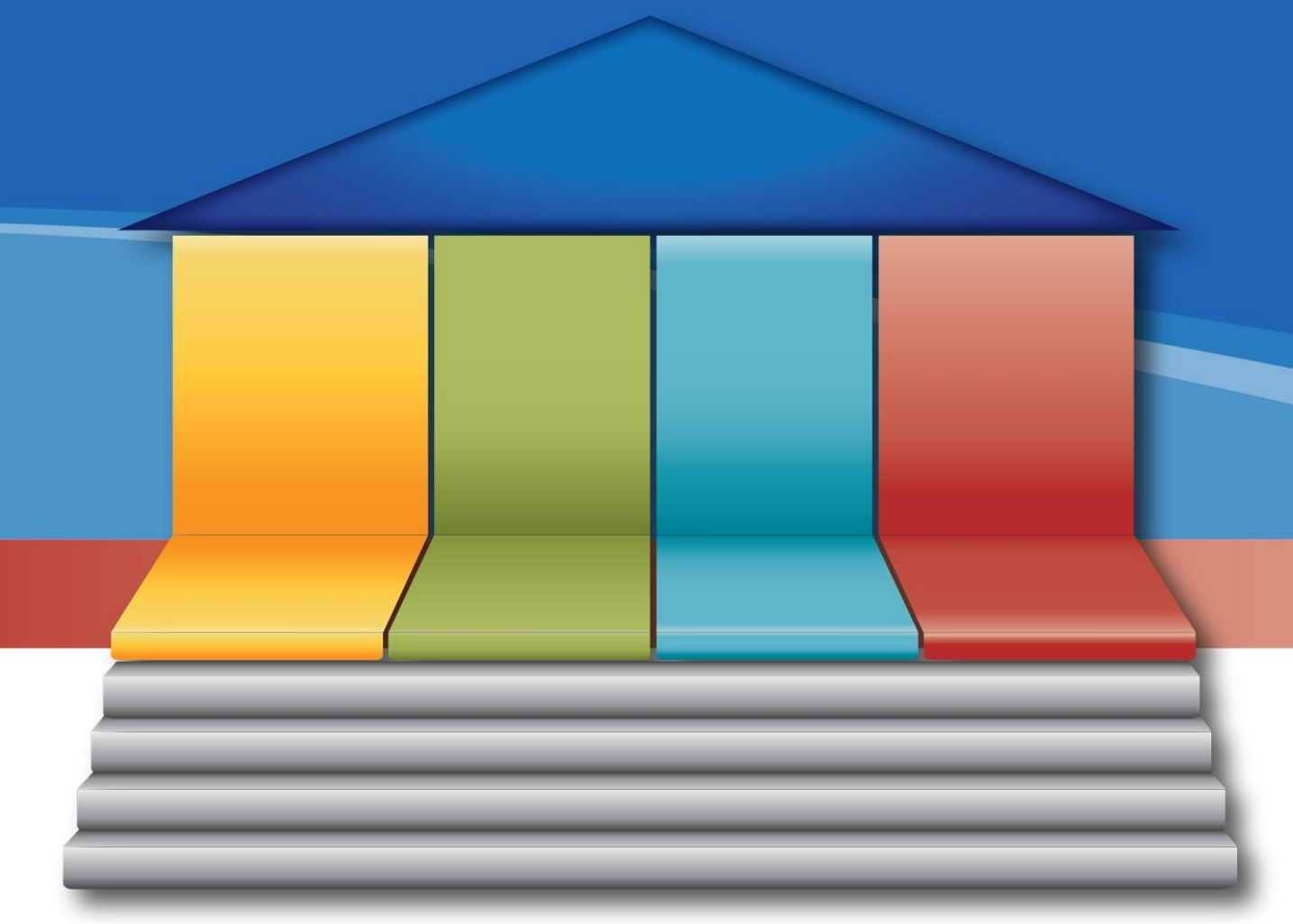
Overall Supplier Grade:

B



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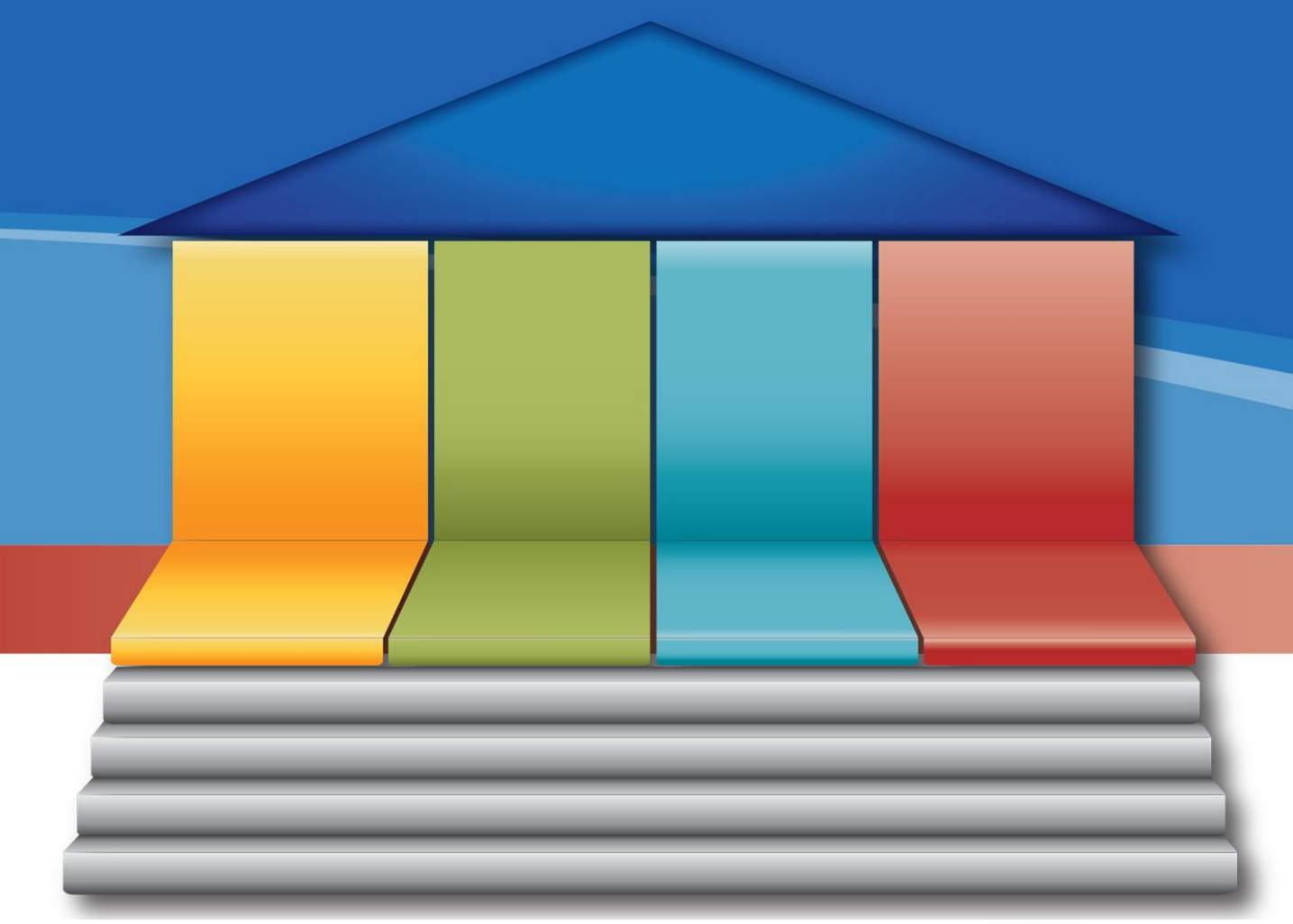
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CONTRACT MANAGEMENT

- Contract Management.
- Procedures and Documentation.
- Consistency of Practice.
- Quality Assurance/Measurement/Monitoring.
- Governance and Approval.
- Debarment and Supplier Qualification.

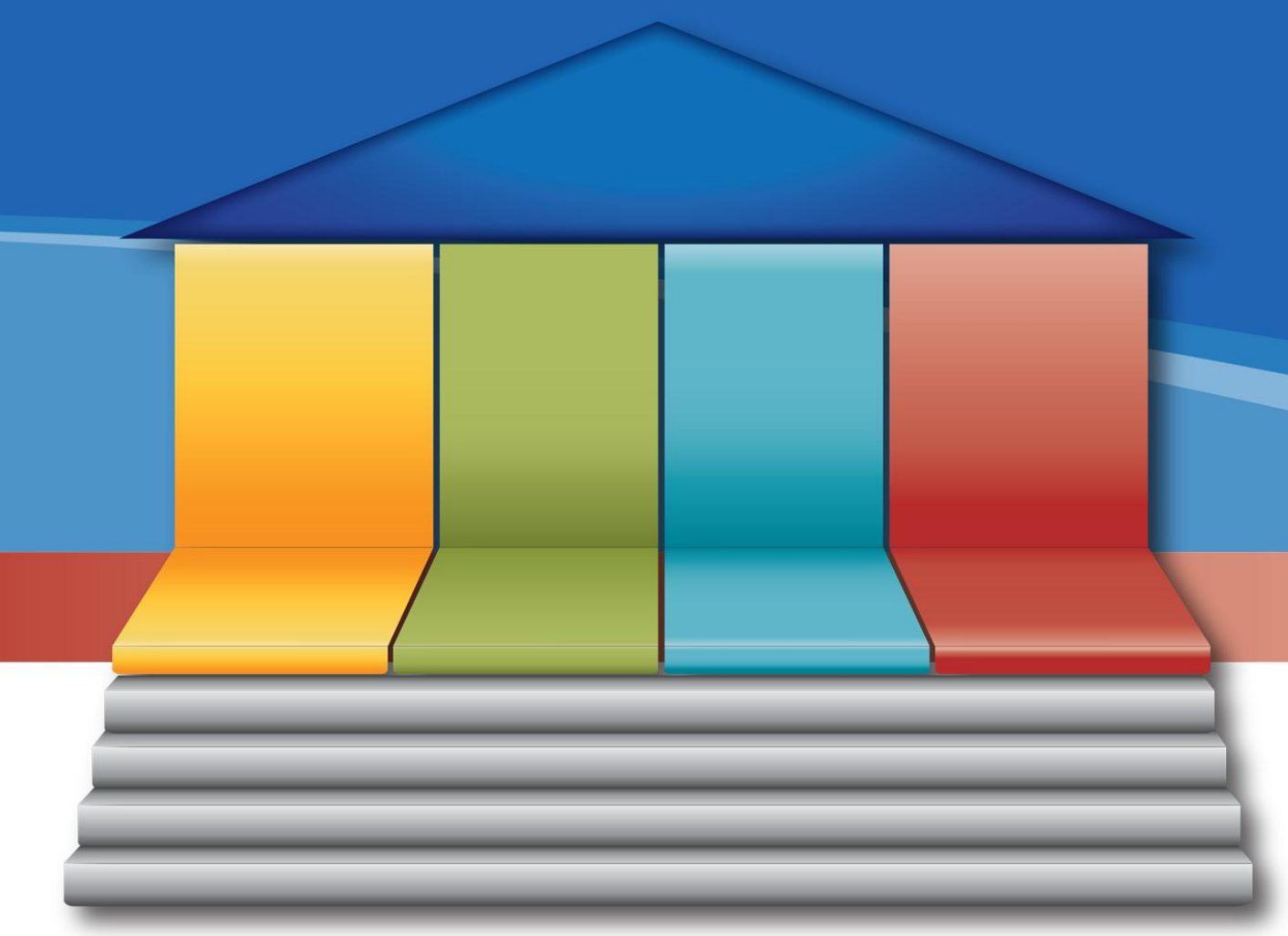
SYSTEMS AND TOOLS



SYSTEMS AND TOOLS

- Electronic Tendering.
- Catalogs.
- Reporting and Expenditure Analysis.
- PCard Program (Ghost, Virtual, Declining Cards).
- Procurement Planning and Scheduling.
- Benchmarking and Market Intelligence.





Questions?



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