Leading Practices in Evaluation Criteria Development

MAXIMIZING YOUR YIELD

Introduction
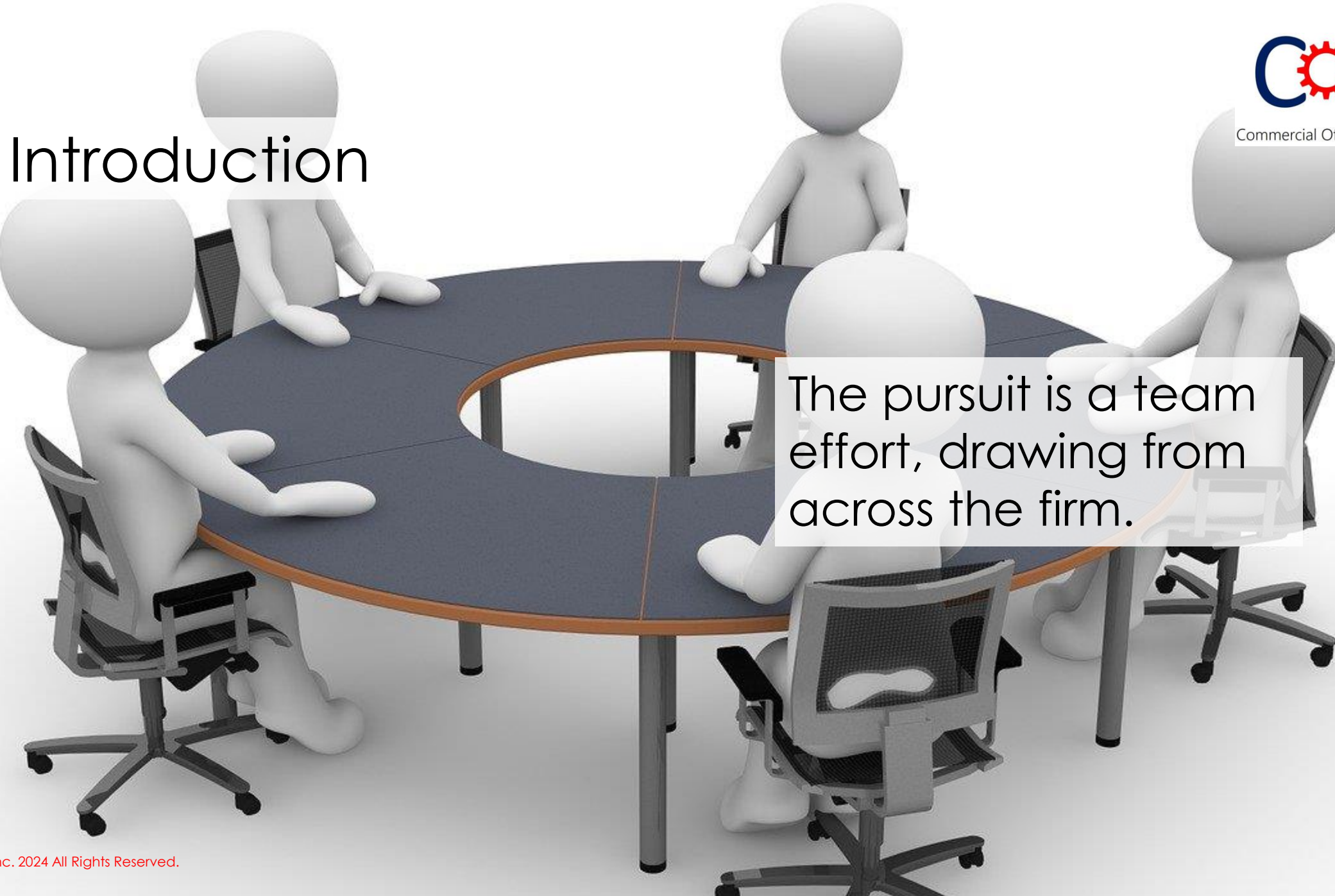
Procurement excellence hinges on making the right procurement decisions every time.

Cog
Commercial Officers Group

Introduction

This requires governance, process, tools, and talent – all geared to developing effective evaluation criteria.

Introduction

The pursuit is a team effort, drawing from across the firm.

Cog
Commercial Officers Group

Introduction

Effective communication skills and a collaborative culture are key – leading to evaluation criteria which result in the right decisions.

Delivery Strategy
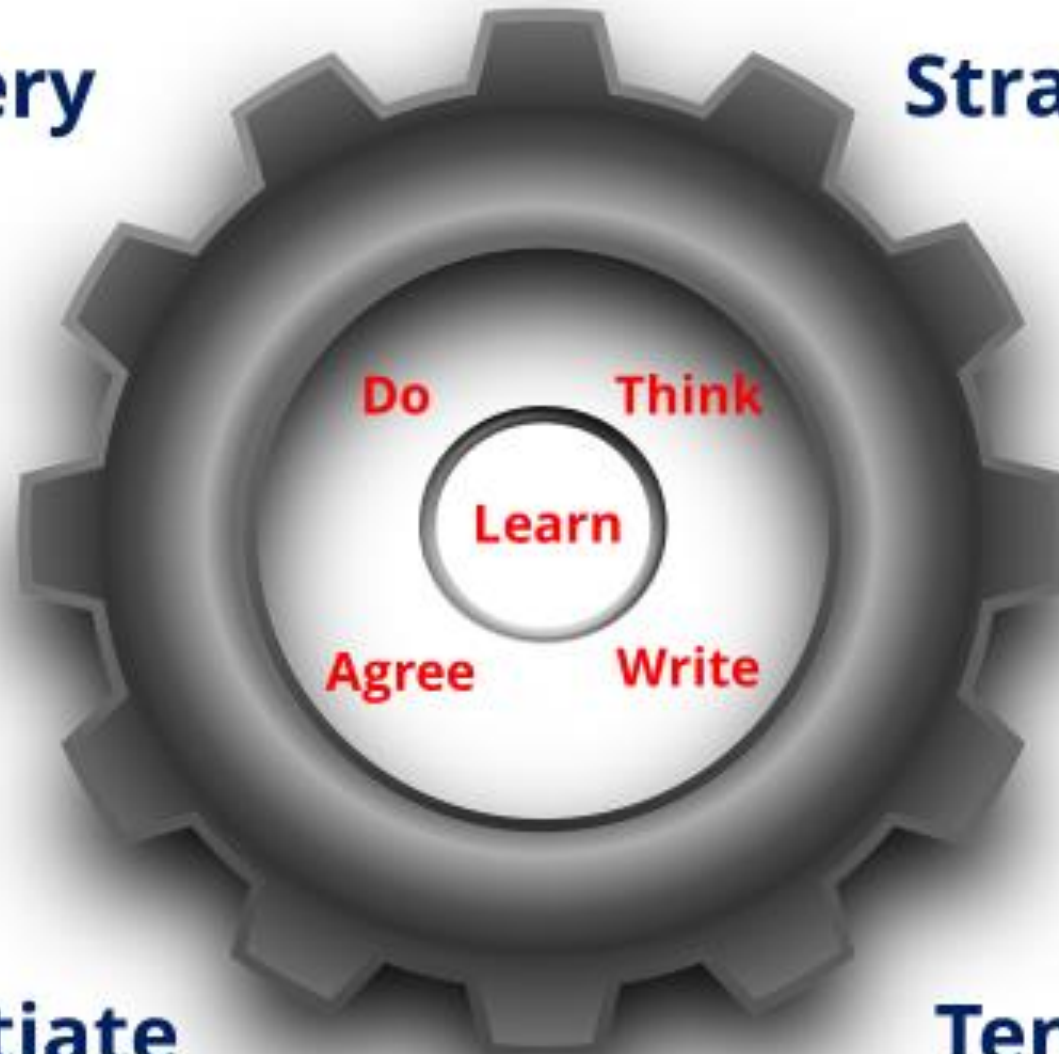
Do Think

Learn

Agree Write

Negotiate Tender

Where are Evaluation Criteria Developed?

Delivery

Strategy

Do   Think

Learn

Agree   Write
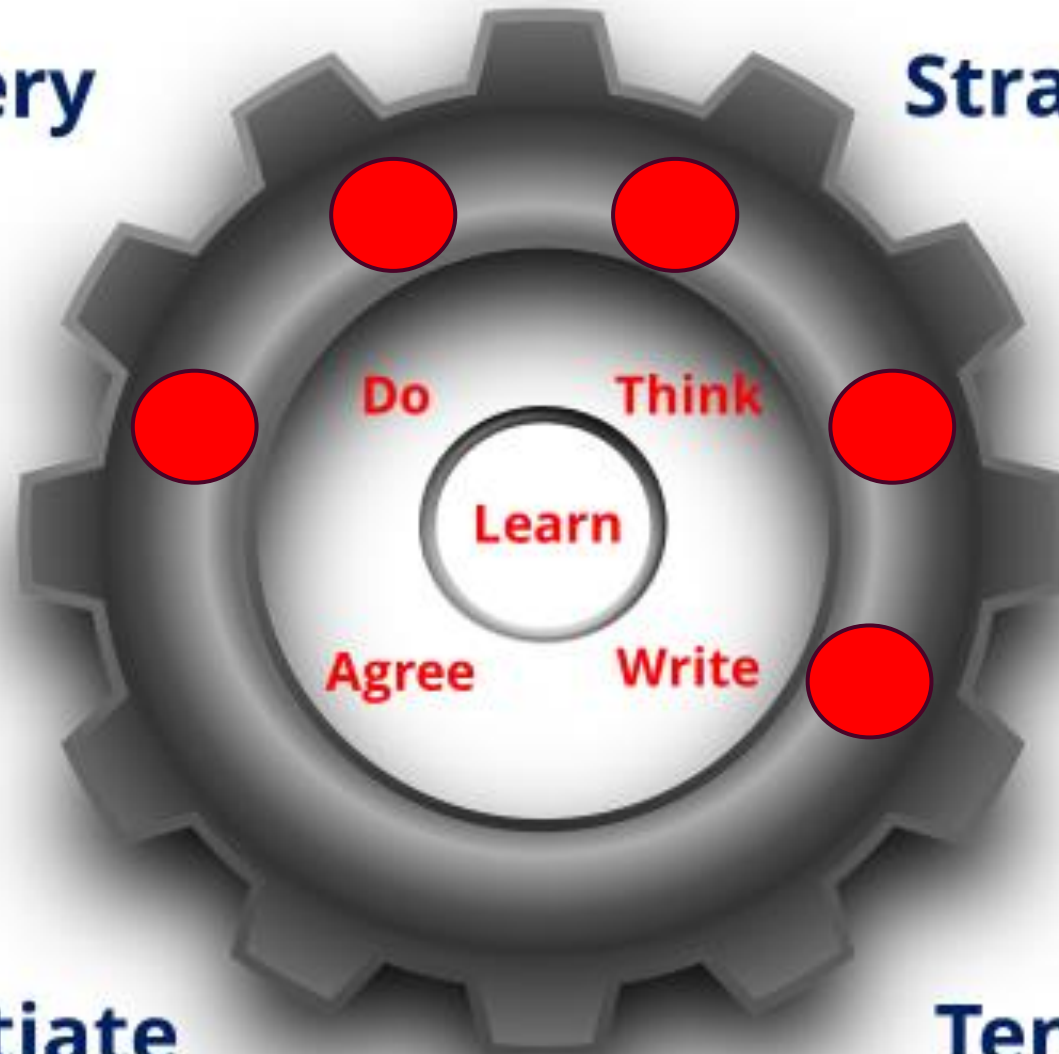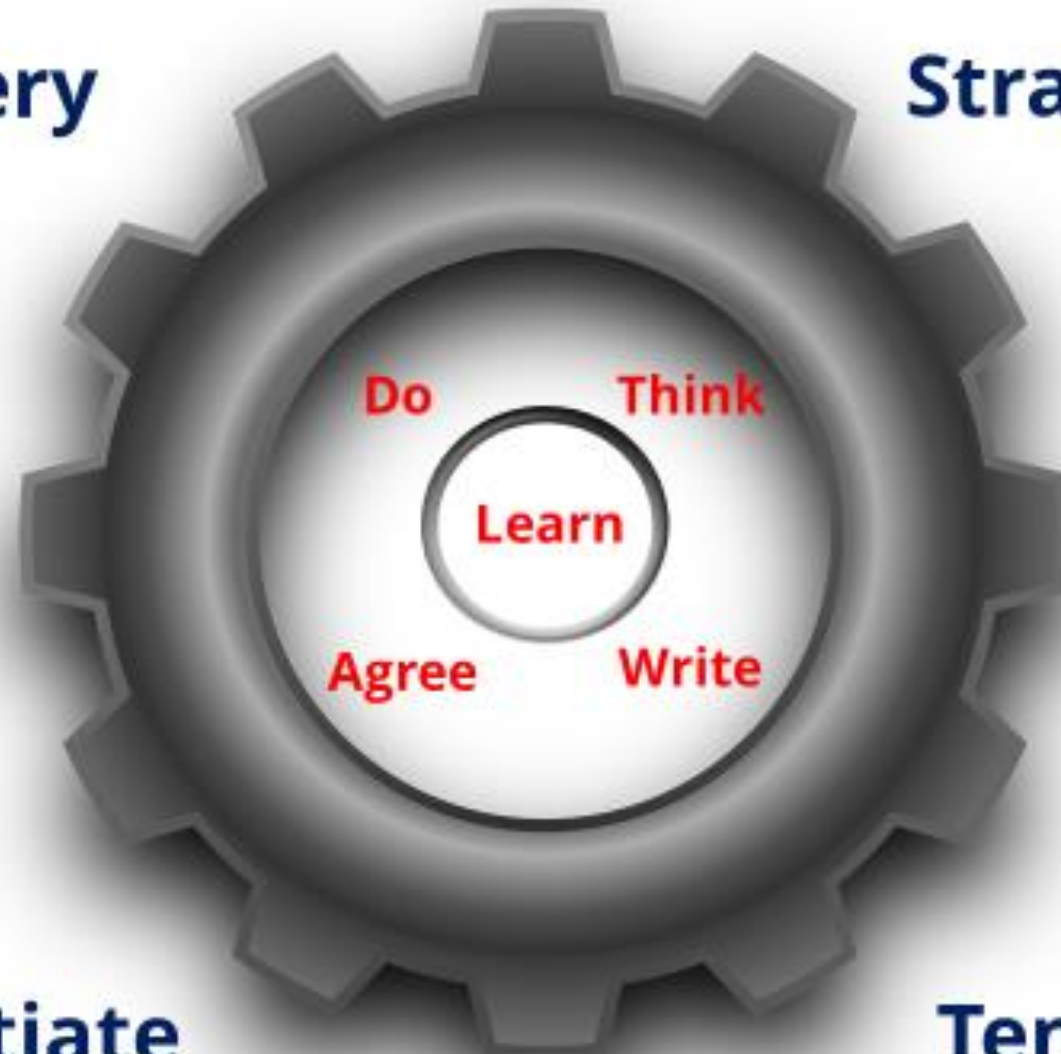
Negotiate

Tender

Where are Evaluation Criteria Developed?

Applied?

Commercial Project Yield Rates
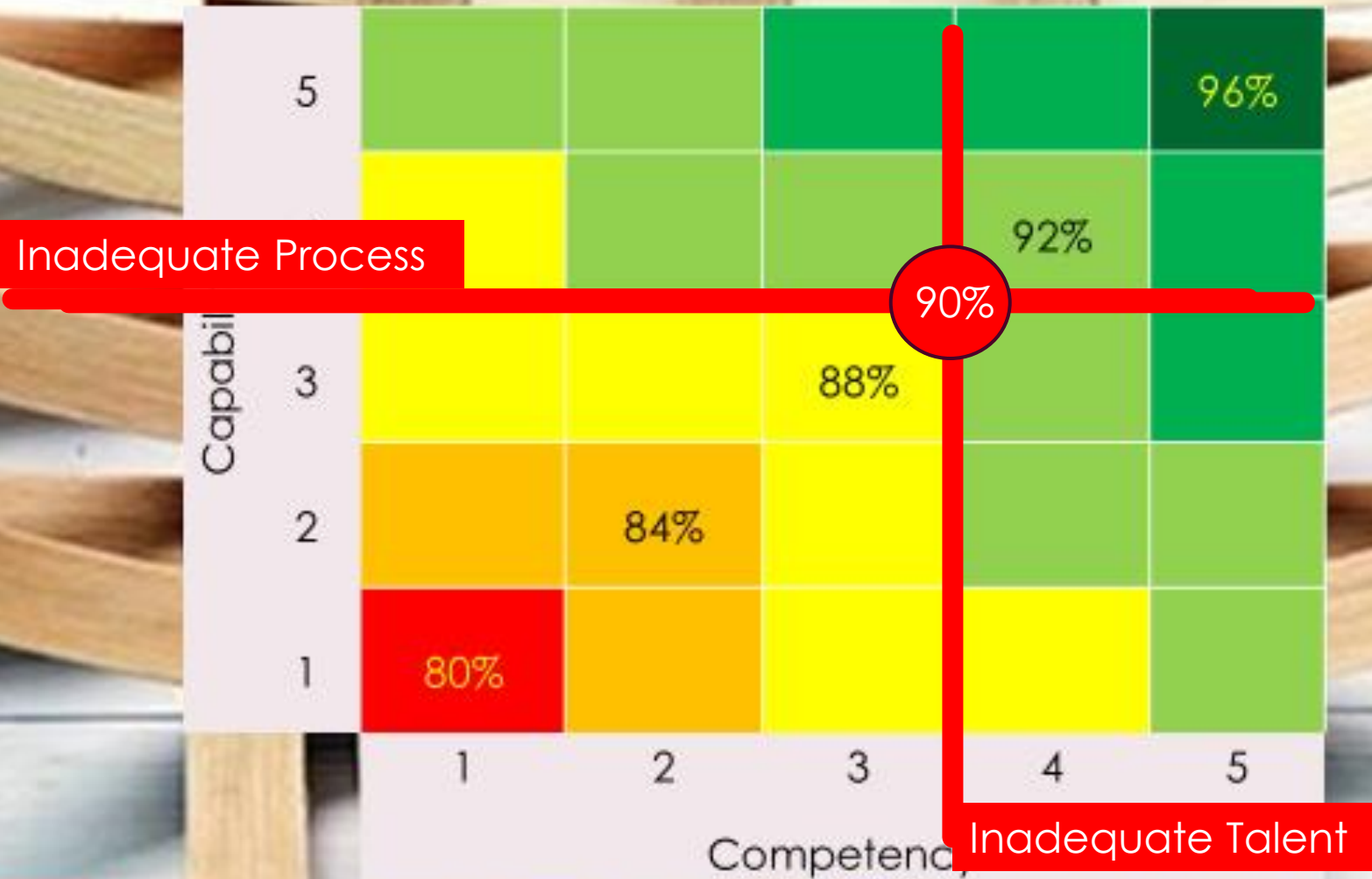
Creating Prioritized Objectives

The Process

- Identify/collect objectives, requirements, specifications

- Prioritize objectives – Needs are not prioritized

- Assign Evaluate Criteria weights

- Evaluate

- Conduct due diligence

- Negotiate

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Rating

Help Desk Outsourcing	A	B	C	D	E	Average	Rank
Health and Safety standards	1	8	5	10	5	5.8	6
Financial stability	5	2	3	3	2	3.0	9
Lowest purchase price	3	5	7	6	8	5.8	6
Warranty/Guarantee	7	10	8	8	7	8.0	1
Cybersecurity	9	7	6	2	10	6.8	3
English-speaking capability	4	3	1	9	3	4.0	8
Project Management skills	2	1	2	1	1	1.4	10
ESG compliance	6	4	9	5	9	6.6	4
Willingness to indemnify	10	9	4	7	6	7.2	2
Insurance of $1 million	8	6	10	4	4	6.4	5
	5.5	5.5	5.5	5.5	5.5		

Ranking

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Help Desk Outsourcing	Rank	
Warranty/Guarantee	1	35%
Willingness to indemnify	2	
Cybersecurity	3	25%
ESG compliance	4	
Insurance of $1 million	5	10%
Health and Safety standards	6	10%
Lowest purchase price	6	10%
English-speaking capability	8	5%
Financial stability	9	5%
Project Management skills	10	0%
		100%

If lowest price deserves a 40% weight in the decision, why is it not 10 across the team?

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Do the ratings depend upon whether it is a Results, Resources, or Relational deal?

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Do the ratings depend upon whether it is a Performance-based or Outcomes-based deal?

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Do the ratings depend upon whether we are moving towards greater automation and AI?

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		100%

The percentage weights must change and align with strategy

Assigning weights according to strategy and objectives

Needs – absolute, mandatory, non-discretionary

Wants – preferences, levels (10 = high, 1 = low)

- Safety – a need or want?

- Payment terms of Net 30 versus Net 60

  - Contractor must pay subs in 45 days

- Delivery in 5 days, 30 days, 50 days – remedies

  - Customer's project starts in 31 days

Integrating the key stakeholders

- Core team

- Experts

- Extended team

- Gatekeeper

- Senior leadership

Establishing a scoring scale and curve

- 100 to 60 = A, B, C, D, and F
- 100 to 1 = percentile
- "Nobody deserves a 100"
- "I would give them a 90, but do not trust them, so 75"

Deciding whether evaluators are working solo or through proxies

- Does everyone have their vote, or a department vote?
- 100 team members
  - 60 from operations
  - 1 from legal
  - 5 from procurement
  - 10 from finance
  - 10 senior managers
  - 14 from support services

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How would you manage 1000 objectives across 100 team members?

Mapping evaluation points to the document's text

- Warranty of five years = 9
  - Where is it stated in the tender and the contract?
- Support team with certain credentials = 3
  - Where is it stated in the tender and the contract?
- The relevance of verbal assurances
- Discoveries made during due diligence

Segregating the team's subjectivity

- Should we allow 5% for subjective "hunches"?
- Risk of striving to be purely objective

Key Tips

Avoid:

- "This is the weight we always give it"

- "I know what weight they will give it"

- "This deal is just like the other one"

Strive for:

- Automation

- Over-inclusion rather than under-inclusion

- Multiple iterations

Checkpoints

- Define wants versus needs

- Prioritize objectives

- Establish team member roles/responsibilities

- Migrate from prioritized objective to scorecard

- Confirm through due diligence

- Develop negotiation plan

- Documentation is essential – collect signatures

How Does This Apply to Your Situation?

What opportunity can you identify in your role?

Summary

- Process, process, process

- Ensure Evaluation Criteria are "fit for purpose"

- Forming the optimal team is a key differentiator

- Be transparent to the extent appropriate

- Change if conditions change mid-process

- Gatekeepers need to challenge the team

- Promote "democracy" – avoid shading

Questions…

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