Efficiency Bulletin: 16-29
Optimize Strategic Sourcing to Deliver Savings

Organization and process inefficiencies in the procurement supply chain result in significant hidden costs. This bulletin will improve efficiencies and cost savings opportunities by reorganizing, standardizing and prioritizing the strategic sourcing function.

Addressees: Chief nuclear officers, NEI APCs and INPO APCs

Issue: SC-01, Strategic Sourcing

Summary of Efficiency Opportunity

- Desired end-state—
  - (SC-01.1) Sourcing departments are staffed with strategic category managers that can focus on evaluating and leveraging enterprise spending to deliver savings through strategic contractual relationships with suppliers. Tactical procurement is separated from strategic sourcing. Fleets should centralize the sourcing function under one management team and single sites should develop a strategic sourcing team. Staffing levels of strategic category managers and tactical buyers align with a recommendation in white paper based on company spending levels.
  - (SC-01.2) Incorporate strategic sourcing prioritization through spending review, category plans and business partner engagement.
  - (SC-01.3) Implement noncompetitive bid justification process to optimize procurements awarded based on competitive bidding.
• Value proposition (vision of excellence)—
  o (SC-01.1) An appropriately staffed strategic sourcing group is able to effectively source and contract with suppliers resulting in strategic partnerships that deliver cost savings through leveraging spending, increased efficiencies, and improved quality and delivery.
  o (SC-01.2) Lower costs and improved supplier contractual relationships are achieved by prioritizing categories for sourcing with the most opportunity to achieve savings. Understanding of category spending, market conditions and future needs drives results.
  o (SC-01.3) Competitive bidding leads to significant savings compared to sole source procurements, with a 10 percent average cost savings on materials and services that had not been competitively bid within the prior year.
  o Implementation of a strategic sourcing group with effective category plans, business partner engagement and prioritization model can yield an increase in savings of 2.4 percent.

• Why is it important?—
  o (SC-01.1) Use of strategic category managers to effectively contract with suppliers through a diligent strategic sourcing process will help the organization achieve reductions in cost and save time. The strategic sourcing approach emphasizes leveraging spending for cost savings, supplier relationship development and performance management to improve quality and delivery and identify efficiencies.
  o (SC-01.2) Improved understanding of spending categories will lead to better cost control and savings opportunities.
  o (SC-01.3) Noncompetitive procurements should be avoided where practical to ensure competitive prices are paid for materials and services resulting in increased savings.

Relevant Standards
• None

Guidance

Recommended Industry Actions
• Review the white papers and implement actions to align with recommendations and best practices.

Change Management Considerations

Industry Activities
• Industry webinar to provide background for the initiative, discussion, and an open forum to clarify expectations and ask questions. Webinar information can be found at the following site: https://web.inpo.org/Pages/Nuclear-Promise-Issues.aspx.

Key to Color Codes:

Red: NSIAC initiative – full participation required for viability
Blue: Action expected at all sites, but is not needed for broad industry viability
Green: Utility discretion to implement, consistent with its business environment
Suppliers should evaluate their business with companies to identify areas for improved enterprisewide strategic relationships.

Company Actions
- Evaluate supply chain organization to determine if staffing levels for a strategic sourcing organization are appropriate. (SC-01.1)
- Complete an evaluation of spending to prioritize sourcing categories. Implement category plans to provide strategic direction on supply-managed spending. Improve supply engagement with business partners. (SC-01.2)
- Implement the proposed best practices guidelines for non-competitive sourcing. (SC-01.3)

Guiderails
- Ensure that a process exists for the utility to be able to calculate and report cost savings.

Report Your Site’s Results
Please report your company’s implementation of this improvement opportunity, including the date of completion. Send this information along with your company point of contact to EfficiencyBulletin@NEI.org.

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