

Subject: Hybrid IT Sourcing Strategy — e-procurement platform
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The Good Spending

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Executive Sourcing Strategy Memo

1. Recommended Sourcing Route

- **Limited RFP process** engaging 3-5 pre-qualified suppliers from a strong known pool to ensure competitive tension and quality options.
- **Intense discovery and market engagement** to refine partially defined specifications and align with stakeholder needs.
- **Early supplier engagement** including workshops and proof of concept (POC) to validate integration capabilities and business fit.
- **Phased award approach** to manage implementation risk and allow iterative refinement of requirements and supplier performance.
- **Structured evaluation** with weighted criteria emphasizing customer references, integration, and technical capabilities.

2. Commercial Strategy

- **Aggressive competition model** leveraging strong market competition to optimize pricing, implementation assumptions, and contractual flexibility.
- **Milestone-based commercial structure** with scalable pricing tied to adoption and performance metrics to control financial exposure.
- **Best-and-final-offer discipline** to drive transparent commercial benchmarking and maximize value.
- **Contract terms** to include risk-sharing mechanisms, roadmap commitments, and long-term performance reviews aligned with strategic partnership goals.
- **Inclusion of SLA governance, exit rights, and change control clauses** to mitigate integration complexity and supplier dependency risks.

3. Supplier Strategy

- **Development-focused supplier relationship** to improve innovation and capability aligned with category manager and stakeholder intent.
- **Competitive selection** to maintain leverage and encourage supplier differentiation on integration and support commitments.
- **Supplier performance monitoring** with clear accountability for integration, interface ownership, and failure resolution.
- **Pipeline visibility and joint planning** to strengthen strategic positioning and foster long-term partnership growth.
- **No incumbent supplier** necessitates careful evaluation of supplier track records and references to reduce adoption risk.

4. Governance Approach

- **High governance intensity** with periodic stakeholder workshops and sourcing reviews to maintain alignment and manage expectations.
- **Iterative sourcing engagement** to refine requirements and address integration risk through collaborative supplier interactions.
- **Executive stakeholder alignment** to ensure strategic posture and risk-managed competition are maintained throughout sourcing and implementation.
- **Formal governance checkpoints** during phased delivery to monitor milestones, adoption, and transformation risk ownership.
- **Structured change control and escalation mechanisms** to handle scope adjustments and integration complexities effectively.

5. Sourcing Execution Priorities

- **Focus on customer references and proven implementation track record (40%)** to validate supplier capability and reduce integration risk.
- **Evaluate integration capability (20%)** with emphasis on ERP support, interface ownership, and testing obligations.
- **Assess technical capability (20%)** ensuring platform adaptability, roadmap alignment, and user adoption potential.
- **Commercial proposal (10%)** to balance cost with milestone-based payment and scalability.
- **Support model (10%)** including post-implementation service improvement and supplier development commitments.
- **Conduct supplier demonstrations and clarification rounds** to deepen understanding and validate assumptions.
- **Implement phased POC and prototyping** to mitigate risk and confirm business fit before full rollout.

6. Key Sourcing Risks

- **Integration risk and complexity** requiring explicit contract terms on accountability, testing, and failure resolution.
- **Partial specification maturity** necessitating ongoing stakeholder alignment and iterative requirement refinement.
- **Supplier dependency** mitigated through competitive sourcing, exit rights, and transition support clauses.
- **Adoption and user engagement risk** addressed via milestone governance and performance measurement.
- **Transformation risk** managed through phased delivery, change control discipline, and risk-sharing mechanisms.