

Category Management Dashboard

Managing internal processes

Procurement professionals need to influence internal procurement processes in order to maximise value for money for their organisations.

An essential step is to establish dashboards based on spend analysis of own financial management system data. Leading practitioners develop a range of metrics to assist in managing own processes and to use as reporting to internal stakeholders.

Below we feature four basic metrics for possible inclusion in an internal procurement process dashboard.

the commonwealth at around \$80billion. However, when this figure is analysed further, the payments to suppliers falls to around \$25billion. The commonwealth data also includes over \$200billion in "subsidies, benefits and grants". Clearly, a large slice of these funds will find their way into procurement by the health sector and higher education.

In summary, official figures are not definitive in determining government procurement spend, and clearly there are even more challenges in gauging the level of private sector spending.

But before anyone criticises anyone else, have a look at your own organisation and its approach to understanding and measuring its procurement spend.

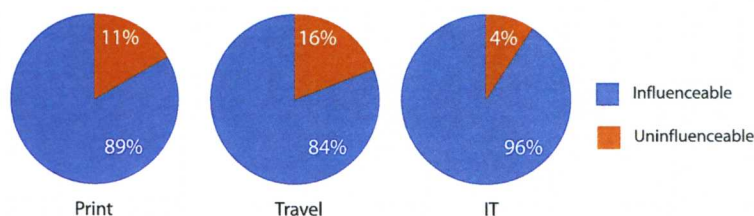
Over the coming months we are going to conduct a survey of public and private businesses in an effort to gain a better idea of two issues:

1. The scope of procurement – how it is defined in an organisation.
2. The total procurement spend (as a percentage of total expenditure).

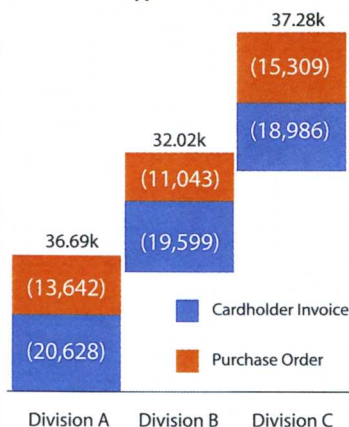
We will distribute the survey through a number of networks, including this magazine. It will be anonymous to an organisation although it will ask for identification of your sector: business, government or not-for-profit. If you do not receive a copy of the questionnaire and would like to participate in this survey, please contact Guy Callender at Curtin University of Technology by email on guy.callender@cbs.curtin.edu.au.

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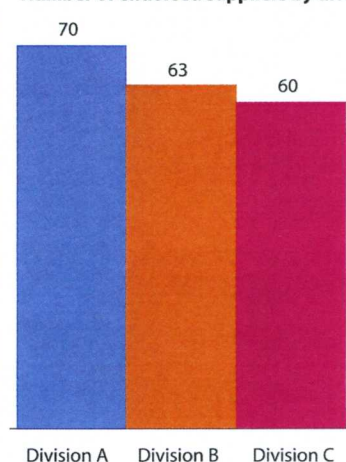
Graph 1: Influenceable and uninfluenceable spend by category



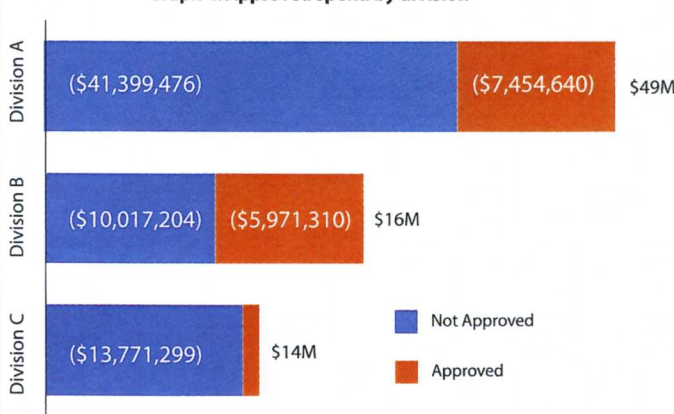
Graph 2: Number of transactions by transaction type and division



Graph 3: Number of endorsed suppliers by division



Graph 4: Approved spend by division



For further information on category management dashboards, contact pi@pibenchmark.com.au

Text Nat McGregor and Bojan Pajic

Photos University of Newcastle

Universities show how it's done

Purchasing Index (PI) and the University of Newcastle (Newcastle) have collaborated to benchmark Newcastle's procurement function and commonly purchased categories of spend under an Australian government-funded programme to benchmark procurement in the higher education sector. Nat McGregor and Bojan Pajic outline the project and the outcomes for the university.

Key Points

- > Procurement function in Australia's universities is being benchmarked under a government-funded programme.
- > Newcastle University's new approach has delivered tangible 'bottom line' savings.
- > The university will continue to benchmark with its peers again.

The procurement function and category management in Australia's universities is being benchmarked by PI under an Australian government-funded programme managed by Higher Ed Services (HES), a subsidiary of Universities Australia, and advised by the Australian Universities Procurement Network (AUPN), which includes procurement representatives from the sector. The University of Newcastle is the lead university for the programme which includes 29 Australian universities, making this the largest procurement collaborative programme undertaken by the sector.

The procurement function in universities is being benchmarked to provide participants with an assessment of how their procure-to-pay organisation, processes and outcomes compare with the sector and against good procurement practices that assist organisations to identify procurement maturity and deliver value from their procurement function.

Categories commonly purchased by most organisations are being benchmarked including:

- > Temporary staff agency fees;
- > Travel;
- > Multi-function devices (scanners, copiers, printers);
- > Personal computers (desktops, laptops, notebooks);
- > Professional services;
- > Print services.

Participants receive comprehensive benchmarking reports with recommendations to improve policies, processes, organisation, management practices and prices paid.

Assessing value for money

The methodology used by PI to assess procurement in an organisation has been developed and continuously updated over 25 years in markets such as the UK, other EU countries and South Africa as well as Australia. Some 65 perspectives are provided to participants.

Five of the maturity and value-for-money indicators assessed include:

Procurement accountability: The proportion of the organisation's procurement spend actively managed by procurement professionals and the proportion of spend influenced by procurement professionals.

Contracted arrangements: The proportion of the

organisation's spend that is channelled through pre-existing (contract) arrangements and the proportion that is mandated and the consequences of not using mandated arrangements.

Cost and capability of procurement: The costs of the procurement function as a proportion of total expenditure, procurement staff capability and training, and the use of technology to enable the procurement function.

Savings achieved: Savings achieved by procurement, measured internally and externally (suppliers).

Procurement policies & practices: Procurement level of representation, customer satisfaction and policy coverage, completeness and compliance.

One of the key drivers for Newcastle's participation in the collaborative higher education sector benchmarking project was to determine how procurement in the university is positioned to respond to an increased focus on internal efficiencies.

Other drivers included the need to evidence internal business case(s) for change and to effectively baseline current activities and future directions through independently measuring and validating achievements.

A summary of some of the high-level results from the procurement function benchmarking indicated that a case for change was evident. The change process was identified and directed at three levels:

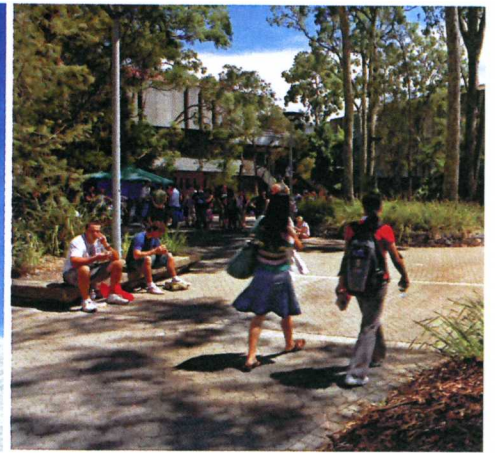
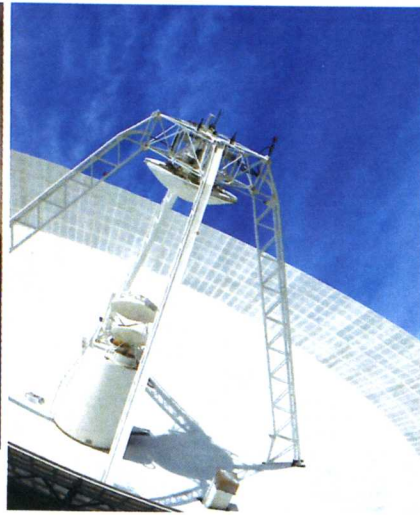
- > Procurement policy and vision – 'To ensure that every dollar of university funds – is spent professionally';
- > Procurement planning and framework – processes, strategy and guidance; and
- > Operational – systems, procedures, guidelines, templates and control points.

The process

One of the major procurement change projects was the implementation of a DMAIC (Define>Measure>Analyse>Implement>Control) sourcing methodology. The adoption of this methodology gave the university the framework not only to improve the sourcing cycle but it also supported and complemented other initiatives such as the implementation of guides for buyers of goods and services, the creation of standard frameworks, various demand regulation initiatives, the implementation of a contract management system and a change in focus of all procurement staff.



Nat McGregor is director of risk & commercial services at the University of Newcastle and Bojan Pajic is managing director of Purchasing Index (PI).



This process was accompanied by another major procurement change – the introduction of commercial relationship managers (CRMs) and a framework for task allocation and performance management and assessment which ensured that staff were no longer caught up in operational issues. The need to transition staff from the existing operational paradigm to a new internal consultancy model was necessary to underpin the vision, strategy and process changes. The procurement restructuring at Newcastle continues to be a work in progress; however, there has been an immediate and tangible return on investment as a result of these changes.

Benefits

The university's new approach to strategic procurement has delivered tangible 'bottom-line' savings, which are now being measured and reported on a regular, ongoing basis. However, the benefits of change have extended beyond those measured in impact on the P&L, including:

- > Alignment – resources to expectations/ organisational needs, strategy

- > Value – supports Newcastle's strategic objectives, commercial efficiencies, buyer awareness
- > Clarity – staff have a clearer role focus
- > Support – internal consultancy for faculties/ divisions (involvement & visibility, maximising benefits)
- > Understanding – increased spend under management
- > Professionalism – methodology (not an ad hoc approach, but internal consultancy based upon an agreed and effective methodology)
- > Strategic – not tactical, fire fighting.

The university will revisit the procurement function benchmarking with peers again and looks forward to seeing what can be achieved. The category benchmarking projects have been an enabler for CRMs. The collection of data itself for each category has been an eye-opener and the market intelligence delivered gives the CRMs an improved perspective, identifying where 'the university sits' and then allowing procurement professionals to analyse and map where they need to go.

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The CIPSA Strategic Procurement Forum Perth

12th May 2009, The Novotel Langley, Perth

Featuring presentations from a variety of senior practitioners from some of WA's leading organisations, consultants and academics, the programme will address the threats and opportunities for procurement arising from the global economic downturn, before looking at practical examples of tools and strategies more generic to the profession.

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