

Booker Harris  | <sup>TM</sup>

Insights

**Strategic Transformation**  
**Complex Procurement**

## What is a Procurement?

Through a competitive bidding process or tender, goods or sources from an external source are identified and acquired based on certain terms. There are two broad types of procurement - these are direct and indirect spend. Importantly it should be remembered that procurement is one component of the broader concept of what it is to acquire and source goods and services. Although Acquisition and Sourcing are strategic and procurement being seen as more hands on - procurement is becoming increasingly more strategic in nature.

The strategic nature of procurement has caused executive decision making to become even more important and long lasting.

## Getting it together

### Moving forward with superior vendors

Strategic procurement and outsourcing is about developing capability.

### Developing the correct capability

Procurement plays a strategic role in the supply chain. An important component of procurement is negotiation. Negotiation can be empowered with the use of big-data, because it provides powerful insight into the real-time strategic landscape of each vendor. Bearing in mind that cost reduction without a reduction in quality is optimal and is the best value situation. An understanding of the vendors and their capabilities also enhances dealings with the entire vendor network.

Streamlining the supplier life-cycle will reduce overheads and therefore will lower costs. The idea here is to speed-up processes, which will require simplification and transformation. What that most commonly looks like is - increasing of centralised standardisation, or automating supplier on boarding. Increased time saving often leads to better vendor management, relationship handling and innovation. Such results are best derived from mature processes, workflows and Supplier Relationship Management (SRM).

Product Information Management will assist in streamlining Government or Business success by strengthening the existing omni-channel commercial infrastructure. Without quality data, there will be no inherent cost savings throughout the transformation of existing procurement practices. Increasing efficiency is one step away with advanced analytics because of the 24/7 nature of such insights.

## Flexible Delivery

Procurement is increasingly moving away from receiving multiple bids for tender to an approach that encompasses and correctly appreciates the Total Cost of Ownership (TCO). For example, operability, training and maintenance as well as costs - are a good consideration when making a strategic acquisition.

## Professional Quality

Different procurement-focused organisational structures play a huge part in quality. Quality, in this way, is augmented by analysing and evaluating policies, processes and procedures. All Government and Business are trying to achieve the same outcome in terms of value - how they get there is dependent on many factors.

## Customer Service

Make-or-buy and source selection strategies will determine the level of customer satisfaction. The end-user experience should be seamless and the backend of that experience should, wherever possible be automated, such as with the mechanics of purchasing - such as with requirements specification.

## The Procurement approach

Delivery methods are key to any procurement approach. The strategic consideration here is to save time and money. For example with construction projects and design-build procurements, contractual language should have a more performance-based use of language. Having said that, design-type specifications are also important, getting the right mix requires open discussion about the advantages and disadvantages of relevant procurement contracts and the role of contract management in minimising business risk.

Effective supplier relationship management requires strategy (scenario) planning. All interactions with the stakeholder should be done in such a way as to maximise the value of the interactions in the pursuit of strategic value in goods and services rendered. Doing this and being effective with stakeholder engagement is to focus on the relationship. For example, understand the supply base and practice open communication daily, listening to stakeholder concerns and involving them as a vested partner in the process and the business.

Keeping a finger on the pulse of big-data analytics is important in the procurement process and no more so than with effective stakeholder management. Setting expectations and perceptions and managing these into the future is an important component of providing real value. Qualitative and quantitative data are a good means of rapidly identifying capability gaps from legacy platforms or even in team weak spots, risk and opportunities.

**Other key considerations should be:**

- Process Design,
- Sustainable procurement, and
- Procurement performance.

As part of managing the supply chain, one should be aware of the mutual beneficial nature of certain actions. For example, the determinants of effective supplier relationship management should be implemented with the emergence of e-procurement in mind, such as with computer-mediated procurement and information systems. Aligning with key suppliers is the best first step in becoming aware of trends in procurement in the global economy. This is important because it improves capabilities, such as with reliability and agility.

There are big opportunities where technology can streamline the process. Time to market, for example, is important in terms of transactional efficiency and delivering cutting edge quality. Having an SRM system in place puts you ahead of the market by making it easier to see the strategic landscape and to act quickly, thus mitigating short-term and long-term risk.

## Are you ready to add value to your procurement approach?

Procurement specialists should be used by organisations that wish to enhance their procurement process life cycle, common areas for improvement are:

- Identification of need and requirements analysis,
- External macro-level market analysis,
- Cost analysis,
- Supplier identification,
- Non-disclosure agreement,
- Supplier communication management plan,
- Benefits realisation blueprint,
- Negotiation and contracting theory,
- Logistics and performance management metric guide, and
- Supplier management and liaison specialists.

## Creating value with the best procurement approach

Booker Harris is pragmatic and experienced - we have some of the most experienced Procurement Specialists on the market. Please contact us should you require further assistance or information.

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