

PROCUREMENT

WHICH HAT TO WEAR TODAY?

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Many people, and indeed many colleagues, believe that procurement is just a matter of buying things, and as people buy items

every day everyone is therefore a procurement expert; if only that was the case. Aligning the different, and often disparate, views of stakeholders is not easy; neither is resolving the many pre-determined concepts – value, brand, immediacy and future proofing.

So delivering a successful outcome for all concerned is no easy task.

Over the Christmas and New Year period I was fortunate enough to have some time off work and during this period watched, with the family, some of the Harry Potter films. For those familiar with the films you will recall that there is a magical hat that sorts new pupils at the school into respective houses on compatibility grounds. The use of the sorting hat reminded me of the challenge facing procurement professionals on a daily basis; principally “which roles will I need to do today”, (business strategy enabler, project manager, change champion, contract manager, internal arbitrator, subject matter expert or general trouble shooter); the use of a sorting hat to help us would be extremely useful.

The sorting hat in Harry Potter only had to make one decision per pupil a procurement sorting hat would need to make multiple decisions many times a day.

Business Strategy Enabler -

Whether driving the organisational strategy through procuring capability or enabling strategy through driving financial benefits the procurement specialist has a key role to play.

Procuring new capability to help drive the organisational change agenda often has a more complex subset of procurement strategy questions and challenges. Driving financial benefits through the delivery of savings against baseline costs has two discrete issues.

Firstly, at some point the lowest price will be achieved and there are no further savings to be achieved. Secondly, a savings driven procurement approach needs to be balanced with the needs of the business. A rush for the cheapest and less able solution has the potential to restrict the business and in the long term prove to be more expensive.

Project Manager – Procurement is the embodiment of project management. Time, stakeholder, supplier and finance management are all integral to the procurement function. The concepts remain the same but the complexity changes as the procurement complexity changes.

Time management, whether for a simple product or service contract renewal or procurement event will have a required implementation date and associated lead times.

As the complexity of the requirement and number of third parties increases so does the procurement resource, skill and planning needed to deliver in accordance with the business requirement. Adopting a traditional waterfall style approach or using agile methodologies procurement can help move effectively through the stages. Managing the internal stakeholders especially where time is critical or under estimated often casts the procurement specialist as the villain of the piece.

Fielding the questions of “How quickly can this be achieved?” is often a race to the shortest delivery period which, when short cuts are taken, will result in a curtailment in due diligence – act in haste repent in leisure.

The procurement specialist needs to defend their requirement for suitable for due diligence otherwise when the post contract award activity starts to go wrong the accusations will firmly be pointed towards procurement.

Which Hat to Wear?

Change Champion – Once the contract is awarded and passed to the 'business as usual' function unless suitable mobilisation and support has been provided then all respective questions will be asked of procurement.

Procurement has the opportunity (subject to time and resourcing) to generate contract manuals for the part of the business that will be in receipt of the outputs of the contract. Procurement are ideally placed to help the business mobilise correctly and take a pro-active position in the business.

Contract Manager – Often with large contracts the business will mobilise specific contract managers.

This is particularly the case with construction contracts, where claims, compensation events and sign-offs are required. When I say contract managers I don't mean the element of the business that is benefitting from the output of the service. These colleagues are interested in what is being provided by the supplier and not the contractual compliance of the supplier's provision. The contract manager is the one who will hold the supplier to account on behalf of the internal customer.

Internal Arbitrator – Always caught in the middle. The procurement specialist has the unenviable position of arbitrating between the aspirations of the business and the constraints of the budget setters. The business users seek the best outcome regardless of price, always wanting the best but without recognition of the financial impact. The opposite position is often held by the financial controllers who expect maximum returns for the least (if not no) financial outlay. Caught in the middle, and again liable to being viewed as the villain in the piece, the procurement professional treads a challenging line.

Market research and supplier engagement involving both the user and financial communities is a really effective way of demonstrating to both internal parties the real market conditions.

This helps not only in setting expectations, but also produces credible specifications and budgets. Working with both parties to achieve the most suitable yet cost effective solution for the business presents the procurement function in a positive light and illustrates demonstrable value while building credibility.

Subject Matter Expert – All roads lead to Rome. Despite my opening comment that everyone perceives themselves as 'shopping' experts and therefore are de facto procurement specialists inevitably all questions about the process and the outcomes, rightly are fielded by the procurement lead. There are a myriad of questions at the beginning of the process, such as: "How will we deliver this?", "What's the procurement strategy?", "How long will it take?", "How much will it cost?" The questions change in tone and type during the procurement process depending on how things are progressing.

When faced with quotes that exceed the budget the reliance upon the procurement function increases, "How are we going to afford this?, "It's going to take longer; how can we speed up the process?"

Using the specification and the well-crafted (by the procurement function) tender documents, including the pricing matrix, the business can help shape an affordable solution at the appropriate time.

Troubleshooter – If we all had a penny for each time we had been approached by colleague with a problem with an implementation or service delivery experiencing difficulties we would all be very wealthy. Way too often after contracts are awarded the next action is for the business is to lock them away in the belief they will never be referred to or enforced. Taking such an optimistic approach nearly always comes back to bite. Called upon to see a way through problematic situations is very much the remit and specialist area of the procurement professional. Involved both in negotiating and drafting the contract who else would be better placed to understand each parties' rights and obligations? Seeing both sides of the same coin and having built a relationship with the other party during the procurement phase, through the adoption of a reasonable approach, the procurement specialist is ideally placed to help resolve issues and is really the last stop before the legal function is relied upon to resolve impasse.

Procurement is so much more than merely purchasing. The skills needed are business wide and once honed help the procurement professional to be at the beating heart of the business. Delivering advice, support and tangible financial value.

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