



# A plea from the trenches

## Let procurement add value

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with the assistance of Ben Sorensen

THE PROCUREMENT PARADIGM has significantly shifted over the past 10 years. Public institutions are integrating supplier goods, services and administrative practices as a significant part of their value chain. Rare are the organizations that self perform or produce everything internally. As they seek to establish both value and shared business practices with their suppliers, organizations need to place greater focus on how the procurement of these goods and services can support business objectives, while achieving value for money and demonstrating due diligence.

As partners of sorts, suppliers strongly influence program and service delivery. Thus the procurement – or manner in which suppliers are ultimately selected – has a strategic influence on the organization's ability to conduct its business. Yet, if this process is strategic to the organization, why isn't procurement treated as a strategic activity within the organization? Why doesn't procurement operate at a strategic level within the organization like CFOs, COOs? Why are there no chief procurement officers in government?

In most public sector organizations, procurement is the custodian for only a part of the process, as are the end-users who define the specifications and business requirements, and the finance groups who are called in to deal with the payment mechanisms. Activities are often sequential, with limited opportunity to question how all the pieces work together. Although the centralization of shared services into centres of expertise has allowed for improved control and efficiency, it has also shifted the focus to achieving better **process** outcomes, sometimes at the expense of better **business** outcomes.

The issues are further exacerbated by the following influences, which have been key factors in slowing the shift of procurement in the public sector beyond its traditional role to one of strategic sourcing.

- **Flawed organizational design.** By limiting the role of procurement to the "buying" stage, institutions are in effect limiting their activities to execution. By the time procurement is called in, it's often too late to influence the methods used to find the *right partner* to deliver the *right solution*.
- **Being under the microscope.** Procurement is highly scrutinized and is a preferred area of investigation for auditors. This creates an organizational structure and behaviour that are more entrenched in avoiding risks than contributing to the strategic goals of the organization. Procurement professionals are viewed as part of the problem rather than seen as integral to the solution.
- **Using enabling tools to facilitate buying.** New procurement solutions such as purchasing cards (P-cards) and procure-to-pay software can be useful and practical tools; however, if they are not properly understood or implemented, they can become inhibitors that end-users try to circumvent.
- **Finding the right people.** In addition to the impacts of the demographic shift resulting in the retirement of baby boomers,

experienced procurement specialists who understand how to balance outcome risks with process risks are difficult to find. The shift from being the "policing" arm of the institution, as it relates to purchasing, to a strategic partner in achieving an outcome can be difficult, if not impossible, for procurement officers who have spent their careers being told to protect the organization at all costs.

- **Misperception about the current role of procurement.** All too often, new politicians tag procurement with the responsibility for reducing the amount of money spent with suppliers. After all, procurement is responsible for the processes for engaging with these suppliers. The factors that affect this spend, such as the amount of consumption by the end-user departments, the specifications and standards set by end-user departments, and the payment terms offered by finance, to name a few, are rarely seen as major contributors. This could not be further from the truth. Often, these opportunities are the low hanging fruit.

### The solution

Extracting true value, as suppliers' contributions to the value chain continues to involve, goes beyond changing the job profile of procurement specialists. A more integrated approach is required to enable procurement departments to truly participate in achieving business solutions. Adopting a strategic sourcing approach, where end-users involve procurement at the onset as the business need or challenge is being identified, is a good starting point.

Viewing procurement as an enterprise activity, where internal partnerships are formed to find the right solutions, will also contribute. The introduction of tools and practices that facilitate buying and help form well balanced relationships with the service providers would then be the result of a more strategic approach.

Creating environments that foster the development of procurement specialists, through mentoring by external specialists, access to networks and tools, and the selection of the right-minded resources is the overriding requirement to making the shift.

In conclusion, *in my opinion*, if public procurement departments are to remain useful, an organization structure and philosophy shift is necessary. ❧

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Howard Grant is a founding partner and President of PPI Consulting Limited, now entering its eighteenth year of business. PPI is a management consultancy offering a full range of integrated, multi-discipline services for public sector partnering and procurement including the application of fair and ethical business practices, risk identification, analysis of dependencies, business facilitation and dispute resolution, organization and institutional management structures, and business performance measures.

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