



Seven Challenges Facing The Public Sector Procurement Community



CIPS Australia



Introduction

The second CIPS Public Sector Procurement Forum (PSPF2), held at the Hyatt Hotel, Canberra on 16-17 May 2007, was a resounding success with over 150 people attending Australia's premier event for procurement professionals from all levels of government.

In a climate of continuous change, where the importance of capturing best value for every dollar spent in public procurement has never been higher, the PSPF programme was developed especially to enable procurement professionals from all levels of Public Sector procurement to discuss and share thoughts and experiences on what constitutes best practices.

Feedback on this event has been extremely positive with 88 per cent of attendees rating the event as either good or excellent. The conference was fully endorsed by the Federal Department of Finance and Administration (DOFA) and by the Australian Procurement and Construction Council (APCC). The theme of the 2007 conference and the starting-point for discussions was the "Five Emerging Trends in Procurement" that originated from CIPS research in the second half of 2006.

These were identified and published in March 2007;

1. Performance optimisation;
2. Socially responsible procurement;
3. Talent scarcity;
4. Supplier relationship management;
5. Globalisation effects to the supply chain.

Each of the presenters at PSPF 2 directly or indirectly addressed an aspect of best practice public sector procurement within the context of these five emerging trends.

During the event, a series of clear, definable and ubiquitous trends, specific to public sector procurement emerged from the 18 different presenters, the panel debate and the many discussions between the delegates during the networking sessions and two additional seminars after the event. [See Appendix.]

The success of the conference can also be measured by the relevance of the key trends, messages and themes for both public sector procurement and the profession in general that emanated from this event. These messages were recorded as 'seven key themes' and are described in detail in this booklet.

These seven key themes will now form the basis for future research for CIPS Australia & New Zealand in the public sector procurement context. Plans are already well advanced for next year's PSPF 3, which will be held in Canberra on May 28, 2008.

Hopefully, we'll see you there. Full details will be listed on www.cipsaconferences.com.au and will also be published in future editions of Procurement Professional magazine and through our members communications programme.

Jonathan Dutton, MCIPS
Managing Director
CIPS Australia & New Zealand

The second CIPS Australia Public Sector Procurement Forum - Canberra, 16-17 May 2007

CIPSA hosted the second of its Public Sector Procurement Forum events in Canberra during May 2007. The Forum provided a venue for a strategic conversation amongst some of the leading government procurement practitioners in Australia. This conversation quickly focused on the challenges facing government procurement and, by its end, the conversation had identified and discussed seven key challenges for public procurement professionals.

1. The setting of clear objectives at the outset of all projects and for all strategic procurement units.
2. Development of a procurement strategy for every public sector organisation.
3. Focussing strategic procurement on outcomes not processes.
4. Embracing collaboration as a strategic tool.
5. Recognising that sustainability has become a strategic driver for professional procurement.
6. Positioning the public sector as a customer of choice.
7. Resolving the talent scarcity problem.

Meeting these challenges will enable procurement to take its place as strategic management function within public sector agencies.

The keynote speakers set the scene for this strategic conversation. The speakers clearly stated procurement's role and were able to illustrate that role from their own experiences. Senator the Hon. Richard Colbeck, Parliamentary Secretary to the Minister for Finance and Administration opened the first day of the Forum and the Hon. Tim Holding, Victoria's Minister for Finance spoke on day two.

They developed a number of themes, which they drew them together with great skill to emphasise the expectations of procurement's key stakeholders. Their themes were expanded and reinforced by subsequent speakers to include:

- The need to make sure that procurement continues to demand only those outcomes that our suppliers are capable of providing. This does not prevent procurement professionals from encouraging the supply market to provide more. But procurement professionals need to acknowledge that building competitive markets requires competing suppliers. Driving potential suppliers away by applying complex processes or complex requirements is counter productive.
- Small businesses are not set up to deal with complexity. Yet, if we do not grow small businesses into large businesses we may not find the competitive markets we need in the future.
- Compliance with our standards, requirements and processes is important, and the way we measure the compliance of both our staff and our suppliers will influence their behaviours. A key factor in influencing their behaviour is the complexity and the cost of compliance. We can resolve this internal conflict by making compliance part of our culture.
- We need to establish procurement as a discipline that is capable of adapting readily to an ever changing world.
- We need to build teams, skills and processes that enable us to develop a community of procurement professionals who can do all of the above while still delivering best value for money from individual procurements.



The strategic conversation spent some time reflecting on what the seven challenges mean for strategic procurement leaders across Governments as they sit at their desks today.

1. The setting of clear objectives at the outset of all projects and for all strategic procurement units.

The establishment of clear objectives at the outset of any procurement project is a prerequisite for success. The strategic conversation at the Forum suggested that some procurement professionals are still being thrust headlong into procurement processes that are very well advanced but for which clear definitions of project success have still to be set and agreed with stakeholders.

Yet, other delegates reminded us that there has also been a significant amount of progress in many organisations. Their strategic procurement leaders are now seeking to change a different mindset. They are now working to influence key stakeholders so that clear objectives for the procurement function are set and those objectives cascade into and drive the objectives for each procurement.

The challenge for procurement professionals is twofold. Those who are still being thrust into procurement processes initiated by others, need to work with their clients so that procurement is involved up-front and can ensure project objectives are set. Those who have achieved this need to continue to work with their stakeholders to ensure agency-wide procurement objectives exist and cascade down into all projects.

2. Development of a procurement strategy for every public sector organisation.

A straw poll of delegates revealed that many organisations represented at the Forum did not have a published, agreed procurement strategy despite employing a number of people under the title 'Strategic Procurement Professional'.

Those delegates with such strategies in place were able to look back and confirm that the previous lack of an agreed strategy had hampered the efforts of the procurement professional teams to influence the processes and mindsets of their key clients.

Another interesting variation between is that some states aim to have a central co-ordinated procurement strategy across the jurisdiction. Individual departments and agencies within that jurisdiction are required to comply with that strategy. For any procurement strategy to be successful, whether it is jurisdiction-wide or agency-specific, it must be communicated and adopted.

3. Strategic procurement requires a focus on outcomes not just on processes.

It was easy to draw the conclusion from listening to this strategic conversation that public sector procurement was often more focused on process than on outcomes. Several presenters referred to the need to refocus on desired outcomes, rather than the process itself. This issue was particularly prevalent during the panel discussion on probity.

This discussion was one of the highlights as it led to the question: is there, in fact, a choice between a process focus and an outcomes focus? Discussions with delegates suggested a



need to maintain a focus on both, yet government procurement is often overly focused on compliance with the process, rather than on achieving an outcome. The keynote speakers identified the need to make process compliance a part of the culture, while delivering strategic outcomes. This suggested that our challenge is to draw the two together and deliver quality outcomes by implanting quality processes, especially with regard to probity.

4. Embracing collaboration as a strategic tool.

A very positive aspect of the strategic conversation shared by several speakers was a focus on collaboration. Speakers highlighted the value that greater collaboration amongst government departments and agencies has delivered for their governments – especially internally within jurisdictions. Collaboration started by delivering the benefits of aggregation but moved from this narrow focus to more sophisticated objectives. The benefits dwarf the cost of the effort, and not just in terms of economies of scale.

This was another aspect of the conversation that provided a key to drawing the various challenges together. Collaboration is a process that leads to an outcome, it links to the challenge of becoming a customer of choice and supports the objective of our key stakeholders, described as providing progress with consistency and stability. Of particular interest was the Office of Government Commerce case study from the UK where collaboration across shared services is increasingly being mandated by central government.

5. Sustainability has become a strategic driver for professional procurement.

Sustainability is fast becoming a new driver of strategic procurement. This was not only a key message from speakers at the Forum, but was reinforced, the following month, by the Rt Hon Helen Clark, Prime Minister of New Zealand speaking at a different CIPSA event in Sydney. Visit the Regions page of www.cipsa.com.au for the full speech.

Prime Minister Clark told that audience that sustainability is becoming an increasingly important driver of both corporate and government procurement practice. She added that there is now a need for government procurement professionals to incorporate sustainability targets into progress targets in a manner that enables them to help develop supply markets so that they deliver social outcomes supported by value for money in the use of taxpayer funds.

6. The public sector must become a customer of choice.

The strategic conversation also identified what appears to be a relatively new goal for public procurement in Australia. The changing supply market dynamics and governments pushing for social outcomes, such as sustainability, will require new supply market relationships into the future. Public sector agencies will need to become customers of choice for their supplier bases.

The keynote speakers referred to their own experiences when telling the Forum that some private sector firms 'boycott' government business. These firms sometimes see the government sector, generally, as too difficult to serve, too slow to decide, too complex to work with, too marginal to corporate profit and too expensive to bid to.



The core of this view is that as demand grows internationally Australia, as a small market in a global context, will become relatively less attractive to global suppliers. To make the most of local supply options both nationally and regionally, government departments and public sector organisations should look to source from the full range of options available within the market. Being deselected by leading suppliers in the market will not contrive the best outcomes for public sector procurement in Australia.

7. The talent scarcity problem has yet to be resolved.

Another of the challenges discussed in the strategic conversation focused on the difficulties we currently face and will continue to face in finding new staff. A key solution to this challenge is to give far greater attention to the way we attract new staff into the profession and to reconsider our commitment to developing existing staff. This issue will be exacerbated as the 'baby-boomer' generation retires in coming years.

If, as our key stakeholders have suggested, procurement is a key public sector management discipline, we need to broaden our selection base. Procurement leaders need to work with, influence and attract other management disciplines to strategic procurement concepts. In this way we can draw on those clients to support strategic procurement outcomes.

Delegates were briefed on the significant work that has already been undertaken by both CIPSA and the Australian Procurement and Construction Council in establishing a Government Procurement Professional model for Australia and in building programs to implement the model. As procurement professionals we need to embrace that model and use it support our activities in meeting the challenge that a scarcity of procurement talent presents.

Appendix - The 2nd Public Sector Procurement Forum Sessions

How to sustain a green buying agenda and factor environment into best practise procurement in Australia and internationally.

Kirsty Jennings, Senior Manager, Environment and Sustainability Services, Ernst & Young

The challenge facing strategic procurement in local government.

Julia Cambage, CEO, Strategic Purchasing

How to manage outsourced services.

Ian Maynard, Divisional Manager Corporate Services, Brisbane City Council

The Australian Federal Procurement Landscape for 2007.

John Grant, First Assistant Secretary Procurement Division, Department of Finance and Administration

Panel Discussion: is probity hindering best outcomes in public sector procurement?

Chair: Jonathan Dutton, CIPSA. Panelists: Roger Warr, PSI Consulting, Steven Lack, ANAO, Mike Burt, OGC, Phillip Salem, Sparke Helmore Lawyers

Professional development needs in public sector procurement.
*John Tondut, Executive Director (Government Procurement),
Dept. of Treasury and Finance (WA) & Chair APCC Skills Committee*

Case Study: How CIPS supports HM Government professional programme.
Mike Campbell, Director of Business Development, CIPS (UK)

Case Study: The NZ Government Procurement Development Programme.
Philip Weir, Manager Government Procurement Development Group, Ministry of Economic Development, New Zealand

Case study: Moving procurement onto a strategic agenda within the state government in Victoria.
The Hon. Tim Holding, Minister for Finance, VIC

Procurement as a strategic tool for delivering government outcomes.
John Robertson, Executive Director, ACT Procurement Solutions

Transforming UK Government Procurement

- Drivers for change
 - What Transforming Government Procurement means for departments and for the centre
 - How the centre (OGC) will drive change and the role of the National Audit Office
- Mike Burt, Director of Government Relocation and Asset Management,
The UK Office of Government Commerce (OGC) and new Chairman of CIPS*

Managing risk in the Public Sector.
Ron Philippkowski, Manager Procurement, Department of Agriculture & Food, WA

“Being on the front page of the newspaper” – how to manage procurement as a component of a high profile project.
Marie Johnston, Chief Technology Architect, Office of Access Card, Department of Human Services

Securing small business supply lines to government markets in Australia.
Peter Chesworth – Office of Small Business, Department of Industry, Tourism and Resources

The process and benefits of benchmarking public procurement efforts.
Bojan Pajic, Managing Director, Purchasing Index

About the Author

Andrew Kidd is Manager, Strategy & Executive Services, Contract Services, Department of Treasury & Finance South Australia Government and is based in Adelaide.

Andrew has both worked with and supported the Institute in the past and is a member of the APCC Skills Development Committee. He attended this event on behalf of his own department, and kindly agreed to summarise the event and to author this report for the Institute.

Disclaimer

However, this report is the author's interpretation of opinions expressed at CIPSA's Second Public Sector Procurement Forum, mostly by the eighteen different presenters. This report does not necessarily represent the views of the author or of his employer or of CIPS Australia.



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