

## Five year strategic plan template

Tools and templates to support you in the building of your procurement strategy.



This knowledge paper is supportive of procurement professionals operating at Advanced Professional level of the CIPS Global Standard



CIPS members  
can record  
one CPD hour



## Context, vision and key targets

### Context and Drivers

The asset management industry is facing an increasingly complex legal and regulatory landscape. New entrants to the market are impacting growth and pricing which are reducing profitability. Investment is required in new technology and to support a move into new markets. Good historic results as an active manager had meant a lack of focus of cost management. Decentralised decision making meant no understanding of total 3<sup>rd</sup> spend or supplier risk events. Better control of 3<sup>rd</sup> party spend by introducing procurement best practices would result in:

- Improved financial performance and funding for investment in new capabilities/growth.
- Reduced number of potential risks events, and in turn reduces the need for regulatory scrutiny.
- An ability to respond more rapidly to volatile market conditions.

### Vision

‘Ensure active management of all non compensation expenses to support growth and reduce complexity, cost and risk in the supply chain’

### Key performance measures and targets

KEY INDICATOR AND MEASURES OF SUCCESS	2016 BASELINE	2020 TARGET	COMMENTS
Organisation cost to Income ratio	75%	65%	Overall measure of Fin. Health
Spend covered by category strategy	0%	95%	Primary measure of Innovation
No. of Suppliers	8000	4000	Primary measure of Complexity
No. of Material risk events ie >\$50k each	3	0	Primary measure of Risk
% of Transactions pre-approved	25%	95%	Primary measure of Fin. control
Procurement return on investment	1:1	6:1	Primary measure of Fin. contribution

## Context, vision and key targets

### Vision

'Ensure active management of all non compensation expenses to support growth and reduce complexity, cost and risk in the supply chain'



STRATEGIC OBJECTIVE	DESCRIPTION
<b>Functional Strategy</b> Develop overall procurement strategy and governance model.	By developing an overall procurement strategy the organisation can ensure that (i) there is a single point of contact for all matters relating to third party spend (ii) best practices are developed and deployed (iii) bench strength in Procurement skills is crested and organization awareness increased (iv) improved oversight of decision to outsource services.
<b>Strategic Sourcing</b> Increase spend covered by category strategy to improve value add.	Creating a strategy for each expense type allows (i) a long term plan to be developed to ensure non value add services are outsourced (ii) more consistent definition of requirements leading to a better service and reduced cost (iii) leveraging spend from across all business lines / geographies (iv) a clear list of preferred suppliers for each type of expense (v) benchmarking of performance and price versus best in class.
<b>SRM</b> Rationalise the number of Suppliers to fewer more manageable relationships	Rationalizing the number of suppliers (i) reduces complexity of the supply chain (ii) reduces risk of working with 'exposed' suppliers (iii) increases spend concentration / leverage (iv) improves the ability to develop deeper more strategic relationships.
<b>P2P</b> Increase amount of spend covered by pre-approval process to improve control	Increasing the spend covered by a pre-approval process (PO, catalogue or procurement card) allows : (i) the ability to demand challenge new purchase (ii) channel new commitments to preferred suppliers (iii) ensure appropriate due diligence is done before engaging a new supplier and / or the right contract terms are in place (iv) the ability to negotiate better terms if a big order is being placed.
<b>Governance</b> Reduce the number of supply chain risk events.	By ensuring appropriate oversight of the entire lifecycle of an outsourcing decision from definition of requirements through supplier selection to ongoing management we can assess, track, manage and report on potential risks in the supply chain. This will allow the organisation to mitigate potential material events.

## A list of major projects to support the delivery of each capability

### Vision

'Ensure active management of all non compensation expenses to support growth and reduce complexity, cost and risk in the supply chain'



STRATEGIC OBJECTIVE	PROJECT	STATUS	OWNER	DATE
<b>Strategy</b> Develop overall procurement strategy and governance model.	Create a clear strategy for the function			
	Develop and organisation structure and governance model			
	Develop a firm wide communication and training plan			
	Develop a talent plan and procurement academy			
	Develop a long term systems and data strategy			
<b>Strategic Sourcing</b> Increase spend covered by category Strategy to improve value add.	Create category teams & plans for tech and non tech spend			
	Use service centre for low \$ deals (partner with category managers)			
	Introduce eRFX and eAuctions			
	Create master database of contracts & standard T&C template			
	Extend strategic sourcing into end to end expense management model			
<b>Supplier Management</b> Rationalise the number of Suppliers to fewer more manageable relationships.	Create network of supplier managers from across business			
	Tier all suppliers by H/M/L risk and manage accordingly			
	Create preferred supplier lists for each category			
	Ensure accountable execs and SRMS for all high risk suppliers			
<b>Purchase to Pay</b> Increase amount of spend covered by pre-approval process to improve control.	Consolidate AP & purchasing to create E2E process ownership			
	Agree preferred buying channel for each category of spend			
	Introduce P'Cards to eliminate low \$ transactions and one offs			
	Automate invoice approvals & improve PO cover			
	Introduce No Po, No Pay policy to improve spend compliance			
<b>Supply Chain Governance</b> Reduce the number of Supply Chain Risk events	Create supplier risk management team			
	Develop SRM framework with chief risk officer			
	Develop pre contract supplier due diligence process			
	Train business on new policy and procedures			
	Introduce new supplier risk and relationship management system			

Sequence of projects by work stream / capability

○ People    ⬠ Tech    □ Process



