Leadership & Governance

This area of the Procurement Journey provides information to assist you in developing and maintaining robust governance and control systems for all of your procurement processes.

You will find information on learning, development, relationship management and how to work with management and colleagues to create an environment where the procurement function is an integral part of service deliver.

If there are any areas where further information or signposting would be of benefit, please contact us via the Procurement Journey.

Commercial Capability

Open or close

Commercial capability refers to an individual (or organisation's) ability to view situations from a commercial or business perspective, resulting in better business decisions and more innovative thinking.

Commercial Capability is about...

- knowing the market
- knowing customers and stakeholders: what they want and need and how they work
- understanding organisational culture
- identifying threats and opportunities
- developing more robust strategic goals and better implementation plans
- helping to justify the cost-effectiveness of any budget and the available resources

Commercial capability is just as relevant in the public sector as in the private sector and it is recognised as a suite of critical skills that buying organisations and their teams need to have in order to succeed in developing effective procurement

strategies.

It is often about developing the following:

- A consideration of economic issues and concerns such as decreased income generation increased expenditure, decreased productivity
- the ability to analyse financial trends and forecast accordingly
- an awareness of commercial activity, competitive services and market trends
- appropriate strategies for working within budget limitations

It is important to consider how to promote commercial awareness throughout the organisation and with suppliers. For example, awareness of the need for efficiency, cost-effectiveness, customer / stakeholder support, a knowledge of the sector and the services the organisation provides and will provide in the future, and a consideration of the strategic objectives, current economic climate etc.

The Organisation must have clear, documented Procurement Delegated Authority and separate budgetary controls, controlled by commercially aware individuals.

Continuous Improvement

Open or close

Procurement should be continuously pursuing cost and efficiency gains across the wider organisation(s) and the supply chain, through activities such as:

- Working innovatively and collaboratively with suppliers and stakeholders/business partners to identify opportunities for supply chain improvements, and putting action plans in place to fully explore and deliver the identified opportunities
- Measuring every aspect of procurement from source to pay and where possible, benchmarking against similar organisations

Creating a formal Continuous Improvement Team / Working Group to regularly meet and review on-going initiatives and identify new opportunities can be a good step towards increasing awareness and engagement. Having a process in place to allow informal ideas to be raised and recorded from all areas of the Organisation will also be of benefit.

Effective contract and Supplier Management (C&SM) is a fundamental driver of continuous improvement from a procurement / supply chain perspective. Where an organisation has a fragmented or informal approach to C&SM it may be necessary to build a business case to lay out the associated risks and missed opportunities in this approach, and to highlight the benefits of embedding C&SM across the organisation. A Business Case Template to help justify the case for embedding CSM can be used.

Internal Control Systems

Open or close

It is essential that robust internal control systems are established and maintained.

The Head of Procurement (or equivalent) should ensure that a scheme of delegated purchasers, with the appropriate authority levels and separation of duties is published, reviewed annually and complied with.

The published separation of duties and authority levels should be embedded into the computer systems, with reports available. Formal procurement procedures should be published, maintained and regularly reviewed to ensure they remain fit for purpose.

All control systems should be subject to internal and external audits. Any audit recommendations should be published as an improvement plan, which includes action/report dates, to the Organisation's management team.

Learning Skills

Open or close

Capability

It is necessary that Procurement staff have the requisite skills to deliver organisational, functional and individual objectives. Internal and external training should be aligned to both the requirements of the individual, the overarching business strategy. In addition to standard training, the organisation should adopt more advanced initiatives such as job rotation / secondments, job shadowing,

mentoring, CPD and programmes such as **Procurement People of Tomorrow**, etc.

The **Scottish Procurement Competency Framework** identifies the skills and competency levels required by all procurement staff. It helps people take ownership of their personal development through a skills assessment, allowing identification of training and development needs, and career planning (the Competency Framework is undergoing a refresh).

Resource Skills

For Procurement to deliver the optimum service in pursuit of Procurement and Organisational goals, it must be adequately resourced - from both a headcount and skillset perspective (taking account of capacity and succession planning). Managers should continually assess skills requirements to judge if the existing skills and capabilities match future needs and to develop the appropriate competencies to fill any skills gaps. Succession planning is desirable and participation in programmes such as the Procurement People of Tomorrow (PPoT) is encouraged. In addition to developing operational and strategic commercial acumen, it is essential that the people skills of team members are developed. This should extend to ensuring they have the necessary attributes to effectively manage stakeholders, suppliers and key influencers.

Procurement Influence

Open or close

Once appropriately represented throughout the Organisation, Procurement should work to be fully engaged in pursuit of organisational objectives by taking a lead role in developing and making sure standard procedures are followed and longer term strategic initiatives are developed (beyond savings).

This engagement should help Procurement influence the Organisation’s end to end procurement processes, policies and procedures. These procedures should be published/communicated throughout the organisation by various means e.g. intranet, training sessions, to embed these requirements.

The Procurement Function should aim to work closely with its internal stakeholders to ensure that they are involved early enough to develop commodity/service

strategies, ensure stakeholders understand procurement processes are being followed, whilst supporting specification development and making sure that the needs of the organisation and customers are met.

Procurement Representation

Open or close

Procurement representation is a reflection of how well the Procurement Function’s responsibilities are defined, and how effective their activity is throughout the entire Organisation.

It is important that Procurement is recognised as a distinct function (even if it is just one individual's responsibility) and that, in addition to driving down cost and increasing service efficiencies, it should also play a substantial role in wider Organisational strategic initiatives and Forums.

Ideally the Procurement Function should have its own specific Head/Leader, who is a member of the Organisation’s senior management/senior peer group, who will drive procurement activity and awareness throughout the Organisation.

Procurement must be engaged and represented at all levels throughout the Organisation, from grass roots through key stakeholders / steering groups to the Organisation's Board (or equivalent), with Procurement being discussed regularly (if not a standing agenda item).

The Procurement Function ideally should participate in external collaborative initiatives e.g. with Centre’s of Excellence, to increase its own profile whilst increasing its knowledge of Procurement best practice.

By being represented appropriately throughout the Organisation, and externally, Procurement will have the necessary level of engagement to allow it to stretch beyond savings and become a centre of value creation for the whole Organisation, whilst increasing the understanding of Procurement and its activities throughout other Organisational functions, promoting multi-functional working.

Project Portfolio Management

Open or close

Both Procurement and the wider Organisation must have robust plans in place to manage risk and to plan for all contingencies. A risk management process should be embedded across both Procurement and the Organisation, and as a minimum should include a risk and issue register and mitigation plans with designated owners for activities / events such as:

- Separation of duties
- Conflicts of interest
- Abuse of processes
- Contingency planning
- Risk identification and assessment
- Risk control and monitoring
- Fraud and serious organised crime
- Supply base / supply chain activities and supplier vulnerabilities
- Risk of reputational damage
- Supplier audits

More advanced procurement risk assessment activity would include a process and mitigation plan to address potential risks such as:

- Market manipulation
- Monopolies and Cartels
- Hostile contractors
- Foreign market influence Natural disaster

No market/situation is static and therefore risk and contingency planning should be regularly reviewed by the organisation to ensure the inclusion of any new development(s), and react appropriately.

Dependent on the complexity of the organisation and its requirements, the Procurement Function may require risk registers/contingency planning: for categories of goods and services; by Contract; by individual goods or services; for an individual supplier; etc.