

Home	Strategy	Money	People	Sales	Technology	Operations	SEARCH	<input type="text"/>
Masterclasses Member Benefits Free Money Talk Back Weekly Archive Advanced Search About Us Our Partners Contact Us	<p>BUSINESS NEWS Administration • Persimmon profit rises on Westbury purch</p> <h2>Twelve steps to procurement heaven</h2> <p><i>How happy are you with your procurement process? Is it adding measurable value to your business and increasing competitiveness - or is it just a cost centre that swathes every purchasing decision in bureaucracy?</i></p> <p>Get it right and strategic procurement can be a huge market differentiator. Follow these twelve tips, and good procurement practice will become part of your business-as-usual operations.</p> <h3>1. Setting Policy</h3> <p>Effective procurement starts with establishing a comprehensive policy that provides the framework within which the entire purchasing activity operates. A policy will define best practice, establish the business goals for purchasing, outline the quality controls to be followed, and describe how procurement will help and support the organisation's wider strategy. A well-designed policy will minimise risk and ensure that procurement delivers value to the business.</p> <h3>2. Business Governance</h3> <p>As national and international regulation gets more stringent, it is essential that procurement processes are aligned with overall corporate policy. Poor procurement can introduce unnecessary business risk in terms of value for money and in the day-to-day operations of your company. Make sure you are not paying too much, and make sure that the procurement of services that are fundamental to the running of your business – IT for example – is properly defined and contracted.</p> <h3>3. Purchasing Power</h3> <p>Under scrutiny, many organisations discover that they have a supplier base that is large and unwieldy – and spreads their purchasing power too thinly to allow for any quantity discounts and significant savings. But by consolidating deals and taking the long term view you ensure that economies of scale can be negotiated. You also become a key customer. The result? Reduced costs, shorter procurement lead times and increased leverage on supplier quality.</p> <h3>4. Management Information</h3> <p>Good management information is key to ensuring you achieve good value for your corporate spend. Make sure you know where your money is going so you can manage expenditure effectively. It enables you to plan ahead and direct resources where they are most needed and where they will offer the greatest impact.</p> <h3>5. Supplier Management</h3> <p>Most companies can name their top ten strategic clients. Very few can name their most strategic suppliers. Yet developing strong relationships with providers and actively managing them can reap significant long-term benefits. Quality and service are improved while costs are reduced. Actively managing suppliers will ensure that inertia doesn't creep into the relationship, that high standards are maintained and innovation has the opportunity to flourish.</p> <h3>6. Legal Protection</h3>							
COMPETITIONS Win 1 of 5 Becker Sat Nav Systems Win a fourball at the London Golf Club and lunch in the Clubhouse Free tickets to the European Senior Masters at Woburn Golf Club								
VIDEO MASTERCLASSES FREE SEMINARS Developing a Strategy Boosting your Profitability								
CHEAPER UTILITIES BUSINESS <small>Advisory Service</small>								
BENEFITS Member Benefits Hotel Discounts Club Bookshop Telegraph Books								
BOOK OF THE WEEK BOOKSHOP AWARDS Chamber Awards Startups Awards Queen's Awards								



EVENTS

Global Brand Strategy 2007

Leading for Sustainability

Achieving Excellence in Customer Service

Advanced Management Programme

Service Management Europe

When time is short and other matters pressing, it is all too easy to take a cursory glance at contract terms and sign them off. But things do slip between verbal agreements and transfer to paper. Setting up the right contract in the first place and then carefully scrutinising them is a procurement must.

7. Tendering Process

Tendering is an activity that can all too easily get smothered in process and procedure and lose sight of the business reality. The tendering process needs to be appropriate for the goods or service being acquired. Procuring paper-clips is a very different matter from contracting consultants, after all. The same process is unlikely to work well for both. Keep it simple but ensure you cover all the key points.

8. Cost of Purchasing

As a function of the business, procurement is a cost. Organisations should conduct regular assessments of processes and identify how workflow can be improved. They should also ensure that the procurement function is responsive to the changing needs and goals of the overall business.

9. Resources

One of the ways to reduce the net cost of procurement is to ensure that the right people are doing it. A skilled procurement team will maximise efficiency and thus reduce costs and increase business responsiveness. Investing in your people, and ensuring that you have access to the right combination of skill sets will pay dividends in the long run, as will identifying areas for improvement in technical skills, business awareness and stakeholder management.

10. Value for Money

One of the biggest challenges facing procurement teams is to substitute the lowest cost option for that which offers best long-term value. Vendors who make cheap initial offers know how to boost their profits by adding essential extras, such as service and support, throughout the life of the contract. For any long-term purchase you should always look at all the costs involved and assess both them and the value of the contract over the expected life of the goods provided.

11. Benchmarking

It's important to measure performance against other clients or competitors to ensure you are not out of step with what is being achieved elsewhere.

12. Review

Good procurement practice requires management, visibility and control. But once a strategic approach has been implemented, good procurement can always further improve service delivery, quality and competitiveness of the business as a whole. Regular reviews of goods and services, suppliers and processes are essential to maintain maximum efficiency and lowest operating cost. All businesses change over time - both client and supplier. It is natural, therefore, that the review process should be regular and ongoing to keep procurement in step with the business aims and strategy.

About the author

Graham Cooper, is the former head of procurement at the Bank of England, he is in charge of CityIQ's procurement service. CityIQ is a leading provider of advisory and delivery services to the City.

For more information visit cityIQ.com.

» [Return to Previous Page](#)

[Privacy policy](#) | [Copyright](#)