# **Procurement strategy template**

The procurement strategy framework outlines the framework for a procurement strategy:

|  |  |  |
| --- | --- | --- |
|  | Section 1 – major matters for consideration | Section 2 –output documents |
| **Part 1 – Procurement governance, objectives and targets** | 1.1 Organisational objectives  1.2 Procurement targets  1.3 Alignment to organisational objectives  1.4 Governance framework for procurement |  |
| **Part 2 – Procurement planning** | 2.1 Analysis of procurement spend  2.2 Supplier analysis  2.3 Category management  2.4 Contract management  2.5 Forecast benefits | Procurement activity plan  Supplier engagement plan  Contract management planning strategy |
| **Part 3 – Procurement analysis** | 3.1 Strategic situation analysis  3.2 Risk analysis  3.3 Capability development initiatives  3.4 Policy, procedures, processes and systems initiatives  3.5 Planned budget allocation | Capability development plan |
| **Part 4 – Procurement implementation** | 4.1 Performance management and monitoring |  |

## Procurement strategy template

### Approvals

This procurement strategy has been reviewed and approved by the accountable officer identified in the table below:

|  |  |  |  |
| --- | --- | --- | --- |
| Name | Title | Signature | Date of Approval |
|  |  |  |  |

Comments:

### Endorsement

This procurement strategy has been endorsed by the following:

|  |  |  |
| --- | --- | --- |
| Name | Title | Business unit |
|  |  |  |
|  |  |  |

### Prepared by

This procurement strategy was prepared by:

|  |  |  |
| --- | --- | --- |
| Name | Title | Business Unit |
|  |  |  |
|  |  |  |

## Part 1: Governance, objectives and targets

### 1.1 Organisational procurement objectives

Clearly articulate your organisation’s procurement objectives in the context of the organisation’s governance and business strategy. Focus on whole of organisation, procurement related objectives, not procurement objectives associated with individual procurements.

### Purpose

Your objectives set the direction and drive the planning process. They are medium term procurement goals towards which an organisation strives. You measure your progress against your procurement objectives. Objectives should be precise, measurable, feasible, consistent and relevant.

**Example:**

* Senior managers of core business functions are reporting on procurement as part of the business unit performance plan.

|  |  |
| --- | --- |
| Organisational objectives | |
| **No.** | **Objective** |
| 1 |  |
| 2 |  |
| 3 |  |
|  |  |
|  |  |

### 1.2 Procurement targets

Develop targets or key performance indicators (KPIs) for your organisation’s procurement objectives. Targets may be value based, time based, qualitative or quantitative, or outcome or output focused. Defining high level procurement targets is at the discretion of the organisation.

### Purpose

Targets define the performance expectations for your procurement function.

**Examples:**

* Achieve savings in excess of $x xxx xxx for year 20xx
* Establish a whole of Victorian Government purchasing agreement for common services
* Establish pre-qualification arrangements for common services
* Deliver all strategic and high risk procurement within budget and on time

Note**:** Parts 2 and 3 of the procurement strategy may influence this first part of the strategy.

|  |  |  |
| --- | --- | --- |
| Key organisational procurement targets | | |
| **No.** | **Procurement target** | **Target** |
| 1 |  |  |
| 2 |  |  |
| 3 |  |  |
| 4 |  |  |
| 5 |  |  |
| 6 |  |  |

### 1.3 Alignment to organisational objectives

Describe how the procurement objectives defined under section 1.1 (Organisational objectives) align with the broader objectives of your organisation and the objectives of the Victorian Government.

Articulate the business drivers that impact and/or set the direction for your organisation. These can be internal or external influencers.

Aligning procurement strategies and objectives to the broader organisational objectives and strategic direction is crucial to delivering quality service.

Articulate how your organisation’s activities support its performance. Procurement objectives must demonstrate alignment with, and clear contribution to, your organisational objectives and strategic direction.

### Purpose

Understanding your business drivers provides a context for understanding client/customer and stakeholder needs. It also shows how your procurement objectives can support the expectations of broader government.

**Examples:**

Procurement objective:

* + To lead in a whole of government procurement response to XYZ.

Strategic business drivers:

* + Improved visibility of spend across the organisation/other organisations to identify and assess savings opportunities.
  + Improved compliance with policy and process to address under achievement in service outcomes and exposure to undesired scrutiny and oversight.
  + Increased focus to improve the performance of suppliers to maximise the value of existing supplier agreements and to improve service delivery.

|  |  |  |  |
| --- | --- | --- | --- |
| Organisational procurement objectives | | | |
| **No.** | **Procurement objective** | **Alignment to organisational objective** | **Alignment to Victorian Government objective** |
| 1 |  |  |  |
| 2 |  |  |  |
| Strategic Business Drivers | | | |
|  |  |  |  |
|  |  |  |  |

### 1.4 Governance framework for procurement

Describe the governance framework that will oversee your organisation’s procurement activities. If you do not currently have a governance framework, define the steps taken to ensure your organisation’s procurement function will be appropriately governed in the interim.

### Purpose

To demonstrate that an appropriate governance framework for your procurement operations exists and is being continuously improved.

The procurement strategy should reference other sections of this document if those cover any governance framework elements or reference the actual governance framework developed for the organisation. This section can also reference when and how the framework will be developed if it is still under development.

**Examples:**

This section could reference the following:

* + procurement leadership (who will provide leadership and strategic direction on procurement activities?);
  + procurement people and processes (what resourcing, structures, systems and processes for governance will be in place?;

Note: a summary or reference to Part 3. 3—Capability development initiatives may suffice if sufficient detail is provided.

* + procurement performance management (how is performance management carried out? i.e. reporting processes, performance measures or indicators?);

Note: a summary or reference to Part 4.1—Performance management and monitoring and Part 3.4—Policy, procedures, processes and systems may suffice if sufficient detail is provided.

* + procurement risk management (how will risk management, compliance and assurance activities be included with the governance framework?); and
  + procurement accountabilities (how will decision making and reporting lines operate; and how will an individual be held to account?).

|  |
| --- |
| Governance framework for procurement operations |
| Insert text or diagram.  … |
|  |
|  |
|  |
|  |

## Part 2: Procurement planning

### 2.1 Analysis of procurement spend

Prepare a short profile of your organisation’s anticipated spend against core procurement categories.

You can use graphs and tables to illustrate the procurement profile of your organisation

Note: You can use this high level overview to develop your procurement activity plan. For more information, refer to the Guide to developing a procurement activity plan.

### Purpose

To create a context by which strategic analysis of an organisation’s procurement activity can inform management decision making for the ongoing improvement in procurement performance and capability requirements.

**Examples:**

* + Forecast by category—logically group similar items. These could then be listed based on level of expenditure.
  + Forecast spend by goods or services.
  + Forecast spend by key suppliers (could be listed based on critical to business and extremely high risk, etc.).
  + Forecast spend for major areas of procurement, total or major areas of spend for capital expenditure and operational expenditure by year.
  + Types of spend, i.e. how are goods and services being purchased? (e.g. percentage under state purchase contracts, panels).

|  |  |  |
| --- | --- | --- |
| Overview of procurement activity | | |
| **Category** | **Supplier** | **Estimate $** |
|  |  |  |

Note: To varying degrees, your anticipated and ongoing procurement spend will be informed by your organisation’s historical spend data.

### 2.2 Supplier analysis

Obtain a high level overview of your organisation’s suppliers to determine and ‘segment out’ those that are strategically important to your organisation and/or that account for a significant proportion of your overall spend. Your organisation can also identify top suppliers by category and not just by spend, to ensure critical suppliers are not missed.

### Purpose

To align resources and effort with the main vendors to reduce the cost of servicing and better manage risks.

Note: The supplier engagement plan should be used to support the supplier analysis overview. The plan articulates the communication process with suppliers and will ensure relationships are held at the right levels of the organisation, reduce process duplication, maximise economies of scale, and drive performance improvement with suppliers. For more information, refer to the Guide to developing a supplier engagement plan.

As the capability of the organisation matures, more formal supplier segmentation practices may develop (e.g. formal allocation of suppliers to segments or ‘tiers’ and development of prescriptive business rules guiding types of interaction with those suppliers based on their respective segment or tier). Understanding where the major suppliers are will naturally fall out of the spend analysis phase.

### Approach

* From spend data, identify 10+ top suppliers by spend.
* Identify suppliers who are strategically important and/or significant (could be termed ‘tier 1’) to the organisation by interviewing key stakeholders and/or business owners of that spend. It would be unusual for an organisation to have more than 3 5 suppliers that fit into this category.
* Identify opportunities to engage with Australia and New Zealand, small to medium size enterprises (SMEs) and not for profit entities.
* Determine the relationship contacts with those suppliers and appoint a lead relationship owner ensuring it provides an appropriate inroad into that supplier and that the supplier mirrors it with someone of an equal level.
* Develop guidance around how often to meet suppliers and establish objectives for those meetings (over and above day to day concerns with the actual work/contracts they are currently involved with).
* Determine some specific outcomes required from supplier(s) over a 12 month or greater timeframe.

Examples of strategic, significant or ‘Tier 1’ suppliers:

* Major ICT projects – providing close to core business
* Hospital related, e.g. Johnson and Johnson or Medtronic.

|  |
| --- |
| Vendor/supplier analysis |
| Insert profile |

### 2.3 Category management

Understand how your organisation manages procurement at the category level.

### Purpose

Assessing complexity at the level of a category of goods and services provides a high level insight into the related capability requirements and market factors. This context provides the opportunity to adopt a strategic framework for engaging with the market and managing the delivery of individual procurement activity.

Each organisation will have a different approach to category management depending on its procurement capability and the complexities of procurements undertaken. The following provides a prompt to consider how category management might occur within your organisation.

**Example:**

* + A business unit/person has been appointed to work with the market sector to develop a market based solution for managing the organisation’s future financial services requirements.

|  |
| --- |
| Category management |
| Insert data/information |

### 2.4 Contract management

How does your organisation approach contract management?

What opportunities exist to consolidate and rationalise contracts in 20XX?

Are there any contracts at risk or with significant issues that require redress?

### Purpose

To describe how contract management will operate in your organisation and what the major areas of focus/risk are for contract management.

The purpose of this section would be sufficiently addressed where the organisation has completed a contract management planning strategy.

Note: A guide and tool is available to help you develop a contract management planning strategy. For more information, refer to the Guide to contract management planning strategy and the CMPS tool.

**Examples:**

* Contract management occurs at local business unit level in a decentralised manner.
* Contract managers require significant training to increase capability which will include.
* Five high value/high risk contracts as noted will expire in the next 12 months and require active management.
* Process for risk management escalation implemented.

|  |
| --- |
| Contract management |
| Insert text and/or attach the organisation’s contract management planning strategy |
|  |

### 2.5 Forecast benefits

What are the forecast benefits for the year based on the planned initiatives?

### Purpose

To clearly identify the benefits or elements of success and allow for performance reporting to occur.

**Example:**

* + Savings, improved compliance, process efficiencies, value creation, value enhancement, value preservation with respect to your organisation’s strategic direction and service delivery.

|  |
| --- |
| Forecast benefit |
| Insert information/text |

## Part 3: Procurement analysis

### 3.1 Strategic situation analysis

Undertake a high level procurement related SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis for your organisation.

* + What are the strengths of your organisation’s procurement function?
  + What are the weaknesses of your organisation’s procurement function?
  + What opportunities exist to improve your organisation’s procurement capability? Consider the attributes of engaging with innovative Australia and New Zealand SMEs.
  + What procurement threats exist for your organisation?

### Purpose

A SWOT analysis is completed as a strategic situation analysis and exercise in robust strategy and planning.

**Examples:**

* + Strength: centralised procurement unit is mature, has efficient resources and has the capability to undertake the level of complexity identified.
  + Weakness: limited visibility of organisation or public body wide procurement activity and performance levels.
  + Opportunity: large savings potential in top 3/5 categories of spend and requires detailed spend and demand analysis to identify savings opportunities.
  + Threat: key supplier of IT and Telecommunication services is undergoing major restructure which could affect service delivery.

|  |  |
| --- | --- |
| Strengths | Weaknesses |
| Insert information/text | Insert information/text |
| Opportunities | Threats |
| Insert information/text | Insert information/text |

### 3.2 Risk analysis

Undertake a high level analysis of procurement related risks at the whole of organisation level. Specific risks associated with individual procurements should not be included unless they potentially put the entire organisation at risk.

The risk analysis should be undertaken in accordance with your organisation’s risk management framework for consistency purposes.

Risks may address the following areas: organisational risk, category risks, supplier related risks and/or market related risks.

### Purpose

Risk management is an integral part of good procurement activity planning. It improves an organisation’s performance by ensuring that risks and related consequences are systematically integrated into procurement decision making.

**Examples:**

* + Systems cannot currently identify those contracts approaching expiry.
  + Critical services continue to be sourced from a single supplier in a competitive market.
  + High staff turnover affecting organisational capability.
  + Recent machinery of government change has transferred new responsibilities to the organisation.

Weaknesses and threats from SWOT analysis can be a good starting point to identify your organisations procurement risks.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Risk analysis | | | | | |
| **No.** | **Risk owner** | **Likelihood** | **Impact** | **Risk rating** | **Mitigation strategy** |
| 1 |  | H/M/L | H/M/L | H/M/L |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
|  |  |  |  |  |  |

### 3.3 Capability development initiatives

What initiatives will be undertaken to improve your organisation’s procurement capability? What plans and programs are to be made for training, recruitment, professional development, and retention of staff skilled in procurement?

### Purpose

Identification of capability development initiatives within your organisation’s procurement strategy and procurement activity plan will assist in appropriate decision making and prioritisation.

The Internal Purchasing Unit (IPU) has the responsibility to develop a capability plan for their organisation.

Note: The capability plan developed by IPU can be used to demonstrate the capability development initiatives and this case the following table can be removed.

**Examples:**

* + Develop a capability development plan.
  + Introduce a procurement component or training module into your organisations standard employee induction program.
  + Introduce minimum qualification/expertise/experience requirements for procurement roles.
  + Embed procurement related responsibilities into position descriptions for staff.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Capability development initiatives | | | | | | |
| **No.** | **Initiatives** | **Priority** | **Timing** | **Executive Owner** | **Responsible Officer** | **Approved budget** |
| 1 | [Heading]  [Description of initiative] | H/M/L | Commence date – Completion date |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

### 3.4 Policy, procedures, processes and systems initiatives

What are the specific initiatives that will be undertaken to improve your organisation’s procurement policies, procedures, processes and systems that enable the effective administration of the procurement function and to driving continuous improvement?

### Purpose

Provide a clear list of prioritised initiatives for action and assign appropriate resourcing for their implementation.

Initiatives for each of these enablers should be developed for the purpose of:

* obtaining awareness and visibility of the current state of a procurement related policies, procedures, processes and systems;
* assessing the appropriateness of these enablers given the organisation’s nature, risk profile, size and procurement complexities;
* planning for improvements of these enablers; and
* prioritising initiatives to improve these enablers in a systematic and strategic manner.

**Examples:**

* Review and update currency of procurement/purchasing related policies in light of any reforms or changes in legislation/directions/instructions.
* Obtain visibility of procurement spend across the organisation.
* Obtain complete visibility of the efficiency and effectiveness of purchasing systems for ordering and payments.
* Explore alternative/non-traditional market engagement approaches to yield better value for money outcomes.
* Introduce a reporting dashboard system for informing executive and senior management.
* Design and implement an integrated contract management software solution for the entire organisation or public body.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Policy, process and system improvement initiatives | | | | | | |
| **No.** | **Initiatives** | **Priority** | **Timing** | **Executive Owner** | **Responsible Officer** | **Budget allocation** |
| 1 | [Heading]  [Description of initiative] | H/M/L | Commence date – Completion date |  |  |  |
|  |  |  |  |  |  |  |

### 3.5 Planned budget allocation—procurement initiatives

Provide a summary of any budgeted (discretionary and non-discretionary) allocation of funding that has the intent of improving the delivery of procurement services, process efficiencies, performance management/reporting, value for money outcomes, stakeholder management, supplier engagement etc.

### Purpose

To identify and document the benefits of actions that improves the performance of the procurement function. The actions that result in improvements.

**Examples:**

* + Identification of discretionary spend for the use of external services to assist the procurement function.
  + Identification of non-discretionary spend such as labour and overheads.

|  |
| --- |
| Budget considerations |
| Provide detail or attach appropriate documentation (include initiatives above and beyond normal fixed and day to day costs). |

## Part 4: Procurement implementation

### 4.1 Performance management and monitoring

Detail your organisation’s procurement performance management and monitoring structure and processes.

### Purpose

Performance needs to be measured and monitored against your organisation’s targets to ensure that the organisation is efficiently and effectively using its resources in the attainment of its objectives and wider government objectives.

**Examples:**

This may include answering the following questions:

* + what performance management framework will be in place for the year?
  + what measures or KPIs will be adopted and associated with quantifiable targets? (Targets may include $ value, date for completion, reduction in rate of occurrence, or qualitative targets.)

Note: This point also relates to section 1.2 Procurement targets.

* + what systems and processes for measuring and reporting processes exist or will be developed?
  + how will continuous improvement opportunities be identified and implemented?
  + to whom and how often will procurement performance be reported? Using what format?
  + who will be responsible?

Note: Organisations have the option of using the procurement performance management template. The template comprises a schedule of performance measures and suggested metrics as the basis for preparing a performance management report. A sample performance management report has been prepared as a guide for preparing a ‘dashboard on a page’ report.

Note: If not using the procurement performance management template (available from the Procurement Victoria website), organisations are to report against the requirements in the following table.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Suggested frequency of procurement performance reporting | | | | |
| **Report type** | **Coverage** | **Frequency** | **Audience and purpose** | **Responsible** |
| AO report | … | Monthly | AO for review | CPO |
| Executive report |  | Quarterly | Executive level | CPO/Delegate |
| CPO Report |  | Monthly | CPO | Procurement Manager  Team |
|  |  |  |  |  |

## Using this tool

This tool accompanies the [Developing a procurement strategy - Goods and services procurement guide](https://buyingfor.vic.gov.au/developing-procurement-strategy-goods-and-services-procurement-guide).

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