# **Developing a procurement strategy: Goods and services guide**

## What is a procurement strategy?

A procurement strategy documents how your organisation runs its procurement function. It provides an overview of your governance framework and a roadmap for the way your organisation conducts its procurement activity. The procurement strategy should align with your organisations governance framework and business strategy.

Your procurement strategy must include a:

* supplier engagement plan
* capability development plan
* contract management planning strategy, and
* procurement activity plan

## Why do I need a procurement strategy?

Documenting your procurement strategy and establishing a review process will help with strategic planning, benchmarking, measuring performance and improving productivity in managing the organisation’s procurement activities.

## How detailed is a procurement strategy?

The level of detail in your procurement strategy is determined by the chief procurement officer or equivalent.

The procurement strategy must be reviewed annually. The scope and detail of the review will reflect a number of factors including machinery of government changes, the role and operation of the organisation, the complexity of procurement carried out and the dynamics of the supplier market.

Given these factors, your organisation’s procurement strategy will be a ‘living document’, modified over time to reflect these and other changes.

This guide includes a template and notes to help you develop your procurement strategy. This is an example only and should be adapted to suit your organisation. If you use a different format, make sure you cover off all the considerations noted in this template.

## How do I develop a procurement strategy?

This guide provides advice on putting together a procurement strategy for your organisation, including:

* + the strategic direction for your procurement activities;
  + key planning initiatives for your procurement function and their alignment with your organisation’s overarching strategic direction;
  + planning and decision making for the future, reliant on evidence based analysis;
  + a communication strategy for engagement with suppliers and key stakeholders;
  + roles and responsibilities in the organisation; and
  + a framework for managing and reviewing existing arrangements.

The guide is separated into two sections.

A **Procurement strategy template** is available.

### Section 1: Governance for procurement

Outlines the context and overarching framework for procurement across an organisation including processes and practices that can provide good governance.

### Section 2: Governance output documents

Separates the governance framework into specific subject areas, policy, procedures, processes and system initiatives, procurement activity, contract management planning, supplier engagement, capability development and implementation strategy.

These can be read as stand-alone documents as they outline the key requirements for better practice in procurement.

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/SWOT 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 |  |

## Using this guide

This guide accompanies the [goods and services supply policies](https://buyingfor.vic.gov.au/goods-services-supply-policies). There are 5 supply policies:

* Governance policy
* Complexity and capability assessment policy
* Market analysis and review policy
* Market approach policy
* Contract management and disclosure policy

This guide supports the [Governance policy](https://buyingfor.vic.gov.au/governance-goods-and-services-policy-and-guides).

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