

PROCUREMENT

Driving the economy forward

Simpler procurement methods will lead to a more efficient industry landscape, which will eventually aid Ireland's economic recovery, writes **Caroline Allen**

Procurement is driving innovation in Irish business in the current economic climate, particularly in the SME sector, according to Sean O'Dwyer, incoming president of the Institute of Purchasing and Materials Management.

"As procurement is effectively the gateway to organisations, it can articulate their requirements," O'Dwyer said.

The Winning in Tendering initiative, a strategic project aimed at transforming the public tendering experiences of small indigenous suppliers in the Interreg Ireland/Wales region, is assisting the SME sector in its efforts, according to O'Dwyer. It involves Dublin City University, Bangor University and the Irish Institute of Purchasing and Materials Management.

The presence of a large number of multinational companies in the Irish economy has forced their supplier base into achieving world-class standards, according to Edward Sweeney, director of

learning at the National Institute for Transport and Logistics (NITL), which is part of Dublin Institute of Technology (DIT).

Whereas procurement was regarded from a purely transactional perspective in the past, it is now seen as a very important part of the overall strategic view of what is happening in organisations.

"A one per cent cut in purchasing spend can have the same impact on the bottom line as a 10 per cent increase in sales," Sweeney said. "Every euro that can be trimmed from the supply base is a euro that goes back to the bottom line."

There is a recognition, particularly among technology companies with significant operations in Ireland, that key suppliers have to be involved when it comes to designing, developing and introducing new products to market, according to Sweeney.

This trend, he said, was part of the move away from traditional adversarial relationships in procurement to a partnership approach.

"There is a shift from a zero



Edward Sweeney, director of learning at the National Institute for Transport and Logistics (NITL), which is part of Dublin Institute of Technology (DIT)

sum game to a win-win game," he said.

Global sourcing has become a reality and the internet has opened up huge possibilities for partnership in an international environment.

"Sophisticated IT is a facilitator and an enabler of change," Sweeney said. "We

have seen a paradigm shift from the old logic that you have to own it to control it. There is now a focus on core competencies. The net result is that a lot more non-core activities are being outsourced, ie vertical disintegration.

"In particular, manufacturing companies are much more

dependent on suppliers. Relationship management and communications are now vital in procurement. They are almost the business basics. It is now more order qualifier than order winner."

Every transaction and interaction take place in a legal context, according to Sweeney, and

awareness of the legal constraints, particularly as they apply to contractual issues, is important.

There was, O'Dwyer said, a growing realisation among Irish organisations of the value brought by procurement.

"Internationally, many of the bigger organisations have

chief procurement officers at director level," he said.

He also expressed the hope that this would lead to a greater take-up of education.

The Institute of Purchasing and Materials Management is the only professional procurement representative body internationally to have its own accredited higher degree programme. It recently initiated a large company forum, focusing on supply chain and specialist education and best practice.

"Green" procurement has also been added to the mix of considerations for organisations.

"Procurement is ideally placed to merge the two ideals of sustainability and value for money," O'Dwyer said.

Sweeney said: "Probably the biggest way the sustainability agenda is manifesting itself is when a company is trying to identify new suppliers or when it is assessing the performance of existing suppliers."

Organisations in the public sector have huge potential to eliminate waste in the form of non-value adding activities through the application of lean procurement and supply chain practices.

"This in turn has the potential to contribute significantly to the elimination of the exchequer current budget deficit," Sweeney said.

The National Procurement Service (NPS), under its responsibility for e-procurement, is also tasked with supporting procurement-related savings across the public service. One

area with potential for achieving savings for buyers and suppliers, according to an OPW spokesman, in the whole procure-to-pay process is the widespread adoption of electronic invoicing for public sector bodies and for business-to-business transactions in Ireland.

At the request of the European Commission, a National Multi-Stakeholder Forum on 'eInvoicing' was established by the NPS in May 2011. At a forum meeting in December 2011, it was agreed that the NPS would undertake a pilot project with the task of proving that the Irish government could use the European Peppol (Pan-European Public Procurement Online) specification to enable electronic invoicing in an open and transparent system.

The pilot involved existing EDI service providers coming together under a governance agreement and using the Peppol technical specification to ensure the secure and reliable exchange of eInvoices.

At its last meeting in June, the forum agreed the project team would continue with the pilot to examine issues relating to the processing of eInvoices through current financial systems in public sector bodies.

Sweeney said there was little doubt that procurement and other supply chain activities had a major impact on economic and societal wellbeing. He added that effective management of these activities was a critical factor in this context.

Procuring a future at DCU

By **Caroline Allen**

Dublin City University's MSc in strategic procurement is filling a skills gap in a fast-growing and vital sector of the economy, according to Dr Paul Davis, programme director, Masters in Strategic Procurement, DCU.

"In our cost-conscious times procurement professionals are bucking the recruitment trend and are highly sought after. Opportunities are good because the focus of organisations has changed over the past three years," said Davis.

In the National Procurement Service Survey 'Opportunities in Public Sector Procurement' report, published in March, a deficit of supply and procurement skills in public sector buyers was highlighted. DCU's course caters for these skills gaps and increases the profiles of candidates upon completion of the course, leading to further opportunities to develop procurement.

The Masters programme in Strategic Procurement was es-

tablished in DCU in 2006 to facilitate private and public sector procurement professionals.

The course came about as a result of research that was conducted on procurement where the skills shortage in procurement were identified.

"As part of the research I engaged with the National Public Procurement Policy Unit [NPPPU] in the Department of Finance. Industry experts from the private sector were consulted and core areas for future development of the profession were identified," said Davis. These included risk and market analysis and the strategic role that procurement can play.

The course is very much about moving people out of an operational role and into a strategic role, according to Davis. It attracts those with an average of between eight and 15 years of experience in procurement. "They are people who chose procurement as a career and have a substantive amount of experience but are now looking at developing their skill set to move to senior management or director level," said Davis.

In the last year the pro-



Dr Paul Davis, programme director, Masters in Strategic Procurement, DCU

gramme has been redesigned to run through a blended learning approach.

Students spend a Friday and Saturday once a month in DCU, with the balance of their course is delivered online in a bid to give greater flexibility to students and their sponsoring organisations. The programme is now being offered in a block release format overseas and it is hoped to roll it out in partnership with a number of organisations over the next two years.

In a recent project funded by InterReg, Davis and the Win-

ning in Tendering team have put the spotlight on a skills shortage across both the public and private sectors in understanding the impact of procurement. The Masters course has helped, along with the research being carried out, to stimulate interest in procurement as a key strategic tool for businesses to use in their planning cycles, Davis said.

The onus will fall on the shoulders of procurement to deliver a sustainable supply chain for organisations, Davis said. "Today, sustainability has replaced cost, value and speed

as the dominant topic of discussion among purchasing and supply professionals. Companies are beginning to wake up to the benefits of a more sustainable approach and the efficiencies it can bring.

"Sustainable procurement, responsible procurement, the corporate social responsibility agenda – however you want to label it – can also boost the economy and bring wider benefits to society," said Davis.

Other hot topics for the future include the use of procurement and public money to promote employment, stimulate the economy and support SMEs.

If procurement uses clear and robust output specifications, companies can be left with the space to propose innovative solutions, Davis said.

"This gives firms strong incentives to maximise the efficiency and performance of the products and services they offer. This will benefit the public by providing a better service or product," he said.

"Focusing on the local marketplace means that public procurers can secure the best available solution locally while at the same time stimulating innovation."

Further actions for stimulating the local economy, Davis contended, could include improving the quality of procurement information available to help reduce perceived disadvantages experienced by small and micro enterprise.

"Even with our annual spend of at least €14 billion on total public procurement in Ireland, if we focus on who we spend this with, then local economies can be encouraged to grow without perhaps the need for huge additional stimuli."

Procurement holds key to competitiveness

Managing procurement effectively can help companies through tough times and position them for growth and competitiveness, according to David Coffey, founder of the Clearview Group, writes **Caroline Allen**. "Procurement must be central to the business strategy," he said.

Having gained a broad base of strategy and procurement experience in the US, in areas including aviation and telecoms, Coffey drove major efficiencies at ABN Amro as vice-president of sourcing.

Later, as US head of procurement at Takeda Pharmaceuticals, he helped scale it for growth through best practice procurement. "At ABN, our agenda was simple – efficiency and competitiveness. The market was changing around us, we needed to react and we saw procurement as the vehicle. We saved hundreds of millions of dollars," Coffey said.

"Through strategic sourcing we leveraged our spend and consolidated the supply base. This ensured we got best price and the best solutions. On top of this we layered demand management where we drastically reduced usage levels. Our success led us to outsourcing where the market could provide a better solutions," he said.

"Takeda presented a different challenge. At the time the pharma industry had healthy margins and were focused on growth. Costs or procurement were not on the agenda. However, as we prepared to launch new products we knew that excellence in procurement was essential to scaling up."

Where companies were not growing their revenues, they had to look at where they could achieve better value on what they were spending, Coffey said. "Anywhere between 40 and 80 per cent of a company's costs could be tied up with buying from third parties," he said. "Where organisations' revenues are contracting and their margins are being wiped out, they tend to drop certain products or services, pull out of markets that took years to get into, and possibly reduce headcount."

"Given the scale of supplier costs and the strategic nature of the product or services provided by key suppliers, it is imperative that the function is recognised as a strategic activ-



David Coffey, founder of the Clearview Group

ity. Procurement is often understaffed and underskilled, and is typically left to the budget owners who are not experts in the area.

"It is vital that organisations manage key suppliers and top spend categories – this is where most of the spend and risk is. It is also where the real opportunities are to drive down total cost."

Clearview, which Coffey founded in 2006, provides a range of services, including a consultative-type offering. "The diagnostic approach is about understanding capability, defining what best-in-class looks like, and identifying and sizing opportunities. There must be a value proposition," he said.

"We are also growing our managed service where we manage organisations' procurement, spend categories or suppliers. Clients can tap into category expertise and access a more flexible model, which focuses on value and ROI. It can be self-financing, and we can take a percentage of the business savings."

Targeting the public and private sectors, medium-to-large indigenous companies and multinationals, Clearview is busy bringing in category management and supplier expertise. "Our vision is to in-

crease our presence in the managed services space, where we have experts across the categories of spend including facilities management, professional services, IT, and travel. Category expertise is central to our solution," said Coffey.

"We also help our client to manage the performance and contracts of their critical and strategic suppliers over the life of the relationship, focusing resources on capturing value and mitigating risk."

A flexible service incorporating access to technology is provided by Clearview. "The technology is of little use without the relevant expertise," said Coffey. "When combined properly the solution can deliver extraordinary results. One of our category experts delivered 50 per cent-plus savings with over 100 bids in a recent 30-minute e-auction. The trend now is for companies to avoid the technology capital outlay and access it on demand or as part of a managed service."

The emphasis of the group's learning suite is on applied learning. "An Post, which won five national procurement awards in 2011, is one of our clients. It is an example of an organisation where the upskilling really paid off," said Coffey.



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