

# **Procurement as a strategic asset in higher education**

**Paper to Efficiency Exchange**

**12 July 2013**

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# Procurement as a strategic asset in higher education

## Introduction

The Diamond review set out the case for procurement to be seen as a strategic asset in Universities, and for it to play a key role in realising the purchasing power of the sector to achieve efficiency improvements and cash savings.

The setting of a 30% collaborative target for non pay spend within 5 years, and of wider efficiency targets for the sector, have underlined the savings agenda, but the role of procurement in adding strategic value within institutions has been less well-defined. It was for this reason that the Efficiency Exchange looked to gather material to showcase the strategic value of procurement to the sector and how it can raise its profile, especially at senior leadership levels.

This paper and associated case studies is intended to provide material to stimulate that debate.

## Methodology

A call for evidence was issued on the Efficiency Exchange website on 13 May 2013 asking for material that could form the basis for case studies to illustrate best practice.

In addition three key questions were posed:

1. How have you managed to raise the profile of procurement so that it is seen as a strategic asset in your institution?
2. How have you worked at the 'top table' of your institution on projects of strategic importance?
3. How have you shaped or delivered the vision of the vice-chancellor for your institution?

In addition, telephone interviews were carried out with individuals who submitted material and with other interested parties that were identified as relevant. The individuals interviewed are listed in Annex 1.

From the material collected four case studies have been produced in a common format to illustrate different approaches in contrasting Universities. They are:

- Durham University's transformation of its catering provision to move to a greener, more sustainable and more locally sourced service as part of a wider corporate strategy

- The University of Edinburgh's development of a strategy for social responsibility in partnership with students, student unions, staff and others within the University and in the wider locality
- London South Bank University's planned transformation of its procurement function into a strategic service to support the University's Corporate plan
- The University of East London's development of a student placement management agency for allied health professionals operating across a number of universities and integrating with the NHS.

The four case studies are attached as annexes to this paper.

The common characteristic of the case studies is that they were driven by factors other than the need to achieve cash savings. In some cases this was responding to a wider corporate interest, such as social responsibility or environmental concerns; in others it was to address a particular business problem the university faced, such as the placement of students.

The responses to the three specific questions posed in the call for evidence are now considered.

## **Raising the profile of procurement**

All respondents recognised the importance of raising the profile of procurement. None claimed that their service had fully achieved this yet but several felt that there had been important advances in recent years and that they were "getting there".

A number of key activities to raise the profile of procurement were identified, including repositioning the service, upskilling staff, planning for the long term, being proactive and seeking external validation.

## **Repositioning procurement**

An important task is to reposition procurement and to move it away from being seen as a transactional purchasing service. This was described in various terms, such as moving from 'policeman' and 'doer' to becoming an 'influencer' and 'enabler'.

Key steps here have included:

- Reducing transactional operations and the need for procurement to approve every order
- Restructuring the procurement service to have more impact. This has sometimes involved centralisation but more often the adoption of a category management approach with identified procurement managers leading on different categories of expenditure
- Changing the emphasis from compliance to engagement, to help and support people to take appropriate risks rather than prevent them from doing so

- Developing a value proposition for procurement that speaks to more than the reduction of purchase cost and embraces the concepts of value management, demand reduction, total cost of ownership reduction and supply assurance in order to achieve, as one commentator put it, ‘the right stuff, in the right place, at the right time’

It was also pointed out that procurement needed to be agile in its understanding of customer needs in order to encourage the consideration of efficient and value for money alternatives.

### **Upskilling procurement staff**

The capability and skills of procurement staff are critical to raising the profile of procurement. Several services have significantly invested in training and upskilling their staff to achieve a more qualified and professional service. Here, the quality of staff appears to be more important than the number of staff and one respondent argued that it was better to grow the skills of existing staff first before looking to increase staff numbers. The evidence of the benefits of a more professional service could then be used to underpin the argument for more resources.

Respondents also highlighted the need to invest in ‘soft’ as well as ‘hard’ skills, so that an increase in proficiency in technical areas was matched by an increase in engagement skills.

The adoption and promotion of e-procurement tools was also cited as beneficial by freeing up the capacity of staff and allowing them to focus on other areas, such as more detailed spend analysis to better assess opportunities and create a more informed service.

### **Planning for the long term**

Many of the respondents conceded that it had taken a long time to achieve change. For example, some had been working on sustainability issues for over 10 years, and one outlined how it had taken two years to move from a transactional service to a category management approach. This makes the issue of planning for change crucial and the need to secure support from senior leaders (typically the Finance Director) for making the move.

Planned changes were also sometimes timed to coincide with major events in the life of the University, for example a planned merger, or move to a shared service approach. These changes can provide a platform for considering the future of the service and for raising its profile.

### **Being proactive**

Balanced against the need for planning is the need to be proactive, and at times opportunistic. In several cases Heads of Procurement had ‘stepped up to the plate’ when there was a business problem and no obvious lead (e.g. to overhaul the business case process across the university). Here,

procurement can raise its profile by taking a lead in a situation where its mix of business and commercial skills could be showcased.

Several respondents pointed out the need to actively look for such opportunities, particularly when new legislative or regulatory requirements were involved (e.g. the implication of the Bribery Act).

### **Seeking external validation**

Several services had used external validation to raise the profile of procurement. This included applications for prestigious awards, such as the THELMAs, as well as more systematic reviews of capability, such as through the Procurement Maturity Assessments (PMAs), and the Procurement Capability Assessments (PCAs) in Scotland, that are available to the sector. The use of the Diamond review, and the McClelland review in Scotland, were also cited as being important documents to raise the profile and status of the service. It was also noted that in Scotland the author of the McClelland report also chaired the Scottish Funding Council.

Even where the application for an award had proved unsuccessful, the process of making the application and seeking support from senior management had been valuable in drawing senior leaders' attention to the value that procurement can bring, and for publicising the service generally.

Where PMAs and PCAs had been carried out, these provided a benchmark against which senior leaders could see if excellence was being achieved and what further developments were necessary. Here, the apparent reluctance of some services to undertake maturity assessments (and to take advantage of the subsidies currently available to finance them in many cases) was seen as unfortunate, with respondents feeling that the assessments should be seen as an opportunity not a threat, even if the findings could sometimes prove uncomfortable.

### **Working at the top table**

An indication of the profile that procurement enjoys is the extent to which it works at the 'top table' of senior leaders in universities. Heads of Procurement in most, if not all, universities will not have a place on the senior leadership team in their own right and so the issue is therefore about the influence procurement has on senior leaders, and the extent to which it engages with other significant players such as governors. It is also about the extent to which procurement occupies significant leadership positions within the management structure below the senior leadership team, and how it works inside the planning and budgeting process.

### **Engaging and influencing senior leaders**

Respondents pointed out the importance of the Head of Procurement being a visible and respected position, regardless of where it sits in the organisational structure. The key skill for the Head of Procurement was seen as one of

influencing and engaging senior leaders, operating on a par with other directors of major services, such as Estates and IT.

For most Heads of Procurement the key relationship will be with the Finance Director, given that most services report to this post, and look to it to represent the service on the senior leadership team. This primary relationship has been recognised at the national level with the merger of AUPO and BUFDG, and by the sponsorship and hosting of the new Higher Education Procurement Academy within BUFDG. However, in a minority of universities, there is an alternative reporting arrangement, for example to a Chief Operating Officer or equivalent, and some have argued the potential benefits of going further than this and grouping procurement with other external facing functions in a separate commercial directorate. This reflects a view that procurement is a distinct and different function from finance.

Regardless of the primary reporting relationship to the senior leadership team, vice chancellors should be encouraged to consult with Heads of Procurement on relevant strategic issues and projects, and it is noticeable that the profile of services is higher where this is the case.

External players can also assist procurement to engage and influence senior leaders. For example, several heads of purchasing consortia annually look to meet vice chancellors and other senior leaders of their member institutions in order to understand concerns. This is also an opportunity for the consortia to give feedback on their external perceptions of how well individual university services are doing and what can be done to achieve progress, as well as on the importance of procurement generally given that it directly affects up to one third of a university's budget.

### **Working with governors**

The influence of governors can also be mobilised to support procurement. Working with audit, some services have built a shared picture of procurement performance that has been presented to governors and audit committees. As one respondent noted, getting governors onside and supportive of the service was crucial in underpinning the argument for more resources and extra posts.

This exercise was also helped by presenting options to governors on how services could be developed and allowing them to influence the final choice of actions, for example when responding to the findings of a PMA that has highlighted areas that would benefit from improvement.

### **Taking leadership positions**

If direct representation of procurement on the university's senior leadership team is unlikely then greater opportunity exists at lower levels in the management hierarchy and on specific projects. Here, the value of being members of these bodies, rather than being represented by others, was stressed by several respondents.

For some, this had involved a conscious effort to identify appropriate bodies, whether these be permanent committees or time-limited working parties, and to offer to take on a leadership role. In some cases a co-chairing of the body made sense, allowing procurement to share responsibility with academic leaders.

This effort takes time, energy and self-confidence but respondents who had done it felt it was a worthwhile investment. As one put it, the strategy should be to look for meaningful involvement through which the service could demonstrate value. This then made future positioning of the service and access to resources easier.

### **Being inside the planning and budgeting process**

As part of the move from a tactical to a strategic role, Heads of Procurement need to be inside the corporate budgeting and planning processes of their universities. This means aligning procurement strategy with the wider corporate (or strategic) plan and having a sourcing strategy that sits alongside and informs it.

For many respondents, a key activity was to contribute to each of the workstreams that develop the corporate plan, so that procurement can input into the shaping of the plan as well as its delivery. This also helped to identify gaps that need to be filled.

Engagement with the planning of long term issues was seen as particularly important, especially those involving major corporate policies such as sustainability and social responsibility, and major infrastructure projects which can take over a decade between planning and realisation (e.g. the move to high performance computing).

### **Delivering the vision**

Delivering the vision of the vice-chancellor increasingly means the procurement service working outside its comfort zones. This requires raising its profile throughout the university at all levels and engaging with customers at an operational level in order to deliver strategic outputs

Respondents identified several specific aspects to delivering the vision including focusing on outcomes, working on breakthrough issues, and redefining the procurement offer.

### **Focusing on outcomes**

In the new market led world of higher education, the focus of the institution is increasingly on outputs and outcomes rather than on inputs and processes. This change needs to be reflected in procurement practice through a similar embracing of outcome measures relating to recruitment, progression, the student experience and employability.



Procurement effort and expertise also needs to be focussed on projects that target improvements in corporate outcomes. As one respondent put it: 'It used to be about buying iPads, now it's about data solutions and data warehousing to promote student progression'

### **Working on breakthrough issues**

As part of this focusing of procurement effort on to business critical aspects of the university, respondents highlighted the importance of identifying 'breakthrough issues' that procurement could support.

These issues often involved environmental, sustainability, social responsibility and ethical/fair trade concerns, in which the contribution of procurement was clear and valued. They also often provided opportunities to engage students and staff in more sustained ways, as well as to work with outside partners in the local community and business and voluntary sectors.

In this way, procurement not only helped to deliver the corporate vision but also raised its own profile, often transforming how it was viewed by other parts of the university and opening up direct channels to the vice chancellor and other senior leaders. They also allowed procurement to work to embed value for money considerations upstream at the project initiation stage.

### **Redefining the offer**

The final aspect of delivering the vision for respondents was a more fundamental redefinition of the procurement offer itself. Several referred to guidance from CIPS that a modern high performance procurement organisation should:

- leverage the full capacity of the supply market
- have flexible rather than rigid operating models
- create clear value propositions that are understood and valued by stakeholders
- engage in business spend planning, not just post purchase spend analysis
- align plans and portfolios to the business
- protect the business from supply risk and from itself
- shift from talent management to knowledge management
- turn data into information, intelligence, knowledge and insight
- measure suppliers but also tap their hearts, minds and budgets
- provide low burden transactional processes.<sup>1</sup>

For some respondents, the journey towards this goal involved setting demanding KPIs for the service for areas such as demand management, income generation, cash savings and strategic reporting. For others, it

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<sup>1</sup> Abridged from 'Advanced procurement through higher performance procurement' – a presentation to BUFDG PPG conference on 6.9.12 by Gerard Chick, CIPS

involved embracing a shift from cash savings to income generation in the future, while also embedding value for money at all levels in the system.

The common aim, however, was to ensure that a wider view of the procurement offer was achieved, to include the procurement of services, solutions and capital infrastructure as well as goods. And to provide a service that not only looked at purchase and whole-life costs but also engaged with students and users on impact assessments to measure the progress towards social and ethical goals.

## **Respondents interviewed**

Alison Holmes	Durham University
Gerard Chick	CIPS/Optimum Procurement
Andy Davies	London Universities Purchasing Consortium
Penny Green	London South Bank University
Karen Bowman	The University of Edinburgh
Chris Philpott	The University of East London
Frank Rowell	North East Universities Purchasing Consortium
Angus Warren	Advanced Procurement for Universities and Colleges

# Case studies

## University of Durham - Catering strategy transformation

### Description

As part of a corporate strategy to move to a greener, more sustainable approach to sourcing, and to support SME businesses and local and black and minority ethnic businesses wherever possible, the University decided to embark on a major review of its catering provision. This involved a detailed review over a two year period in which five new contracts were implemented, three of which were for new commodity areas.

The contract areas covered were bakery, delicatessen, vegetarian products, wine and catering disposables.

### Benefits

The key benefits of these new contracts include:

- Food miles have been reduced and nutritional standards made more transparent, with restrictions on certain preservatives
- UK assured produce (e.g. Red Tractor certified) has been used in more cases
- Local medium sized enterprises have been able to access parts of the contract (e.g. for bakery and vegetarian products), as well as several small enterprises and ethnic minority businesses
- The needs of the diverse student community have been better met (e.g. Halal products have been included, as have vegan)
- UK based bottling has reduced the carbon impact of wine, and English wines have also been included, as well as Fairtrade wines
- Recycled materials have been increased including recycled napkins, bio-degradable cutlery, and compostable plates and bowls and food packaging.

The use of a limited number of contractors to handle all orders via an e-platform has also saved time and ensured compliance with Carbon Trust standards.

### Critical success factors

The project built on a trusted partnership between the Catering Department and the Procurement Service, which had worked successfully together since 2009 and achieved a Green Gown Award in 2011,

There was senior level support for the project and a wish to see contracts evolve and improve.

The student and staff experience was central to the project and both have improved as a result of these new contracts.

### **Strategic value added by procurement**

Procurement brought market management skills, and a recognition that there will always be innovations, changes in requirements, market developments and new processes to contend with. The important factor is to review these changes in order to identify opportunities to improve and add value to the contract.

Not only has the University achieved significant savings, it has also introduced better quality products which are fresher, seasonal and, where possible, locally produced.

### **Commendation**

*“The Procurement Service played a significant role in the new catering strategy. They delivered new and innovative contracts, which increased value for money for the University, improved environmental performance and improved the student and staff experience.”*

Paulina Lubacz, University Treasurer and Acting Registrar

# **The University of Edinburgh: Sustainable Procurement to achieve a strategic impact on policy, resources and the staff/student experience**

## **Description**

Procurement at the University of Edinburgh has been actively involved in a leadership role in terms of the social responsibility and sustainability (SRS) policy of the university and its wider community for over 10 years. This has not only covered the sort of areas that would be considered as normal procurement operations but also included being part of the strategy steering group, leading student-staff partnerships on fair trade or workers' rights, and influencing policy within the sector, city and government overtly and informally. The team has won recognition internally (e.g. the Principal's Medal for Outstanding Service to the Director of Procurement in 2011) and externally (e.g. the Gold Edinburgh Sustainability award for three years to its Printing Services). The service has also won recognition in Government Opportunities, eHealth, People & Planet Green League and Green Gown. It recently won the THELMA 2013 award for outstanding procurement team.

## **Benefits**

Students involved in People & Planet and the students unions have engaged directly with the Director of Procurement, working together on comments on procurement reforms, influencing the APUC sustainable supply chain policy and code of conduct, and investigating research interests on trade justice related topics in the academic community.

Procurement is taking a lead role in the city fair trade group, in working with the local (merged) college, and in influencing the Fair Trade nation campaign by sharing experiences pan-sector and with NGOs.

Procurement regularly influences over 80% of non-pay and has demonstrated financial sustainability efficiencies of £8 - £12m per annum in both cash and cost-avoidance. This is reported quarterly.

The resource management approach adopted has delivered:

- a sector leading social responsibility & sustainability risk matrix and impact assessment for spend categories
- whole life costs of research funded purchases, including asset management, waste reduction
- efficient stock buying of laboratory chemicals and consumables and process (through eProcurement)
- fair trade foods, beverages and apparel
- the building of stronger relationships (in catering, waste, energy, estates, research and IT to help reduce impacts)

- a global poverty and fair trade academic network (focusing on topics such as workers' rights and prison labour)
- sustainability of supply chains (working with students and APUC on a new code of conduct).

### **Critical success factors**

The student-staff group working on fair trade issues recognising that procurement shares SRS aims.

Pro-active engagement across all spend categories led by the Assistant Director of Procurement.

A balancing of risks, impact and influence on SRS aspects alongside value for money and cost efficiency.

Senior management engagement in SRS strategies, including across research, teaching and learning.

Procurement being seen as a strategic partner in delivering the objectives of the University Strategic Plan.

### **How procurement added strategic value**

By involving the Director of Procurement in policy teams, the University has gained another perspective.

Procurement has contributed beyond the merely operational by offering ways to enhance student experiences and employability skills, and by opening up new opportunities to deliver the strategy.

By enhancing the reputation of the University within the sector and the community on related themes, and by taking a lead in areas beyond its normal remit through engaging colleagues and the student community externally and internally.

Procurement brought a practical approach to SRS into key decision making, whilst retaining a focus on value for money, efficiency and the quality of goods and services.

### **Commendation**

*“The University Procurement team are leaders and help us think about social responsibility and sustainability in its widest sense, building it into our normal business choices. The team also lead and support others locally and in the sector on responsible procurement and related fair trade issues. I strongly commend their contribution to University strategic plans.”*

Professor Mary Bownes – Senior Vice Principal External Engagement

## **London South Bank University – Creating a strategic service**

### **Description**

The procurement team of London South Bank University (LSBU) challenged themselves to transform and deliver a more strategic role for the university. This involved developing a new procurement strategy that set out the impact that a transformed service could have on aspects of the University's Corporate Plan.

The team restructured to provide a proactive category management service rather than a reactive, process driven service. Resource was freed up by removing non value adding activities, and new guidance and automated processes were introduced. KPIs were also revised and aligned to the corporate strategy in order to reflect new service aims, the extent to which category strategies input to university-wide success and the results of newly introduced customer satisfaction surveys.

Dedicated Category Managers work university-wide to develop strategies and deliver initiatives. They facilitate discussion, ensure technical and user knowledge is captured, and help other staff to consider whether or not value is being optimised.

All procurement staff have increased engagement with external stakeholders to ensure the University is represented positively and to shape the external market wherever possible.

### **Benefits obtained**

A clearer strategic direction for the University's spend. Value for money discussions have been embedded into projects at an earlier stage and there is a real focus on student facing projects to achieve better contract performance and an enhanced student experience.

New electronic forms, improved guidance and web pages have saved staff time and increased transparency. This has freed up academic time to focus on students, and facilitated a one-team approach across the University.

Key stakeholders have been enabled to identify opportunities and assess whether or not contracts are fit for purpose. This has been encouraged by knowledge transfer and empowerment and by increased transparency of information.

Cashable savings of £7m have been identified and project delays considerably reduced. Non-cashable efficiency savings have also contributed to financial outcomes, and the mandating of University-wide deals has increased.



## **Critical success factors**

An appetite for change by the procurement leadership and the ability to define procurement more broadly.

A willingness by procurement staff to embrace new roles and to step outside previous comfort zones.

Encouragement from the University's senior leadership to make the change and to back it through investment in training and new posts.

A climate of increased emphasis on value for money and efficiency in the University generally, creating opportunities for Procurement to play a greater leadership role and to demonstrate its value.

## **How procurement added strategic value**

The University's procurement profile has increased internally and externally, and a number of structural changes have ensured that it is now firmly established as a key player. This includes a new VfM working group comprising Pro-Deans from each faculty and Heads of Support Departments to capture a University-wide view of VfM at a senior level. The group is jointly chaired by the Head of Procurement and the Director of Student Services.

The Head of Procurement has also become a proactive member of the regional purchasing consortia Executive Committee, joined the HE Procurement Academy Steering Committee and represented Education on a BSI committee to develop a standard for Procurement fraud.

Procurement staff have expanded their support to work with departments on initiatives that are not purely procurement related but which benefit the University overall – such as reviewing major bids and engaging early on outcome decisions such as business cases.

Category Managers have joined consortia led category groups to feedback on framework requirements, share best practice and benchmark. This proactive role is seen as key to ensuring suitable frameworks and collaborative conversations are in place to meet the 30% Diamond report target.

All procurement staff have been encouraged to focus on outcomes not processes, and to prioritise their input to areas which support recruitment, progression, student satisfaction and employability.

## **Commendation**

*“This transformational change project, led by the Procurement team themselves, has contributed significantly to the delivery of successful outcomes in line with the Corporate Plan – including improved student experience, value for money and financial performance.”*

Richard Flatman, Executive Director of Finance

# **The University of East London: Student placement management agency project**

## **Description**

Each year the NHS makes student placement opportunities available to HEIs in the London area who deliver courses for Allied Health Professionals: occupational therapy, operating department practice, physiotherapy, podiatry and speech and language therapy. Before the Placement Management Agency (PMA) was established, each institution managed its own system for finding placement opportunities, matching students with offered placements, tracking these placements and reporting on them to the NHS. This administrative burden principally fell on academic teaching staff.

## **Benefits obtained**

Following completion of this project the participating institutions operate on a common platform where the NHS and private clinics plug their opportunities in at one end and institutions match candidates and report at the other.

In the first full year of operation four disciplines used the service: Physiotherapy, Occupational Therapy, Speech and language therapy, and Podiatry. In the current year there was a requirement for 5,066 placements and 4,998 offers were received, a 99% success rate in matching applicants with appropriate offers. Some 75% of these offers were matched to students using the new PMA system.

The new PMA has provided a far more efficient process that is much more effective at placing students, reduces the burden on academic staff, improves the student experience, keeps records of student training and provides concise management information to each institution.

## **Critical success factors**

Collaboration was required between the dozen stakeholders across London involved in the project, including NHS London (who supplied funding) and all the HEIs previously administering their own separate placement schemes.

Clear roles and responsibilities were required. The University of East London was selected as the lead institution and had to manage the expectations of these diverse stakeholders and bring a fully implemented and working system in on time and within budget.

Good risk management was crucial. There was a need to build an IT solution from scratch to satisfy the requirements of the project for this unique proposal. There was no existing supply market and so there were some significant risks.

## **How procurement added strategic value**

A procurement-led approach was adopted to test the market and obtain the most successful outcome. This was controlled and implemented by the Procurement Team at the University of East London working closely with academic colleagues.

The commercial expertise in the Procurement Team was able to obtain a result that fulfilled both academic and administrative needs. It also delivered a working partnership that was sustainable in the long term and could be controlled on an ongoing basis by clearly defined KPIs.

The Procurement Team engaged with suppliers to create a competitive market in which a tender could take place and ensured value for money was obtained.

Using funding from an external provider the Team were able, in partnership with the successful bidder, to create and deliver a service that eliminated duplication and provided process and cost efficiencies to all stakeholders and, just as importantly, an improved student experience.

## **Commendation**

*“The success of the Student Placement Management Agency showed Procurement in a new light and demonstrated the very considerable added value that the function brings to solving critical business challenges confronting the University”*

Dusty Amroliwala, Chief Operating Officer