

SEIZE THE DAY

Like their private sector peers, public sector purchasing departments can lead the charge and make a positive impact, argues **James Gregson**.



The drive for improved efficiency in the government sector conjures up thoughts of job cuts, hiring freezes and relocation. However, the new government strategy launched in January 2007, *Transforming Government Procurement*, highlighted the positive role that procurement can play in delivering bottom-line improvements while maintaining high-value public services.

A key area of procurement is strategic sourcing. And while this has become a standard tool in corporate procurement organisations the world over, it is still only in its infancy in the public sector. With a few simple actions, however, central and local government can create and implement strategic sourcing initiatives that deliver results.

There are four key principles to consider:

- **Set targets.** Companies strategically source because savings become earnings, pound for pound. In some cases, it may be difficult for many public sector organisations to accurately define savings. But there is also a great deal of disagreement in the private sector over what constitutes savings. Having a goal, whether communicated in pounds or in meeting central government efficiency targets or improved services to citizens, will bring the kind of urgency and pride in achievement that process measurement cannot.
- **Starting with 80 per cent of the data is good enough.** A big part of strategic sourcing is knowing what and how much you want to buy. With spend data available from many different sources and classification schemes, it may be tempting to spend a great deal of time and effort 'perfecting' the data. Keep in mind, however, that the data is a means to an end. Dotting every 'i' and crossing every 't' can prevent you from getting started. It is sufficient to begin with just enough information to convey the relative scope and magnitude of the opportunity to potential suppliers.
- **Sourcing is a people, not a technology, initiative.** Technology helps leading global companies interact with suppliers and manage strategic sourcing projects around the globe. Many of these organisations have dozens, even hundreds, of strategic sourcing activities occurring daily. While some technologies – particularly those that support supplier negotiation – may be useful, it is the participation of people, not technology, which will

win the day. People will breed the success that will create more interest in strategic sourcing and a greater number of more complex projects that require additional collaboration. When you have an increased scale of activities to manage, that is when technology becomes really important. But you have to start with your team.

- **Small victories count.** You may be tempted to aggregate spend across units within your organisation or even at departmental level. This will slow you down and is unlikely to deliver the results you want. Before you start, think about a narrowly focused project with a small, committed project team. This type of approach will create a result and an experience that the team can then carry forward as leaders of the next stage of the initiative. It also prepares the organisation for the day when strategic sourcing is no longer an option.

Facing intense budgetary pressure to do more with less, public sector organisations must seize the opportunity to design and implement strategic sourcing initiatives. With the right plan in place, organisations can streamline and enhance their operations in ways that make a real impact on the national drive towards better value for money and improved services for citizens.

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