

FOCUS ON... COLLABORATIVE PURCHASING

ALL UNDER ONE ROOF

Terry Wilcox discusses how public sector organisations can collaborate with one another, and with their suppliers, to achieve real procurement efficiencies.

The words 'collaborative procurement', especially in the public sector, often bring to mind images of buyers coming together to share services, develop common marketplaces and drive economies of scale. In fact, collaboration can go beyond this and deliver even greater benefits. The entire procurement process should be collaborative by nature, from the point of requisition within an organisation right through to the payment of goods received.

So what does collaborative procurement mean in practice? Actually, collaboration is an umbrella term that involves different processes in different contexts. Collaboration at the 'buy side' of the procurement process differs, for example, from collaboration at the 'supply side'.

Buy-side collaboration

Collaborative procurement begins at the very moment a member of an organisation (the requisitioner) expresses their wish for goods or services or works, be it

stationery or social care or a new road. A process of collaboration between the requisitioner and the procurement office (buyer) then begins. The buyer may go back to the requisitioner with questions to determine their exact requirements; the requisitioner relays those requirements; the buyer then researches the available options (which may involve collaboration with other buyers or departments within the organisation) and presents them to the requisitioner. Eventually, an agreement is reached and a decision to purchase is made.

Once this first stage of collaboration is complete, the buyer has the option to collaborate with other buyers outside of the organisation to purchase the good or service required. Sometimes the decision

to collaborate is driven by market and legislative forces. Often, in the public sector, the best opportunity to buy may be through a marketplace such as an OGC framework. Department of Communities and Local Government (DCLG, formerly ODPM) directives and the Gershon review encourage this kind of collaboration in order to drive economies of scale and procurement efficiencies within the public sector. All public sector organisations have access to the OJEU tender database and can see what contracts others are tendering out. If a local government authority sees that a neighbouring authority is tendering out a similar project to its own, one might approach the other to suggest that they

effectively completes the standard elements of a Request for Quotations (RFQ) once, and it becomes available for all buyers on the marketplace to see. Before agreeing to adopt a particular company as a supplier, organisations will have a duty to ask certain questions about the company's qualifications and certifications. Every buyer will have the same standard set of questions, regardless of the nature of the service required, so requiring the supplier to complete a single questionnaire saves time not only on the part of the supplier, but also on the part of the buyers.

In some circumstances, buyers may wish to extend their collaboration above and beyond the sharing of

information. This is where shared services, joint contracts and cross-charging come into play.

Some public sector requirements lend themselves to shared

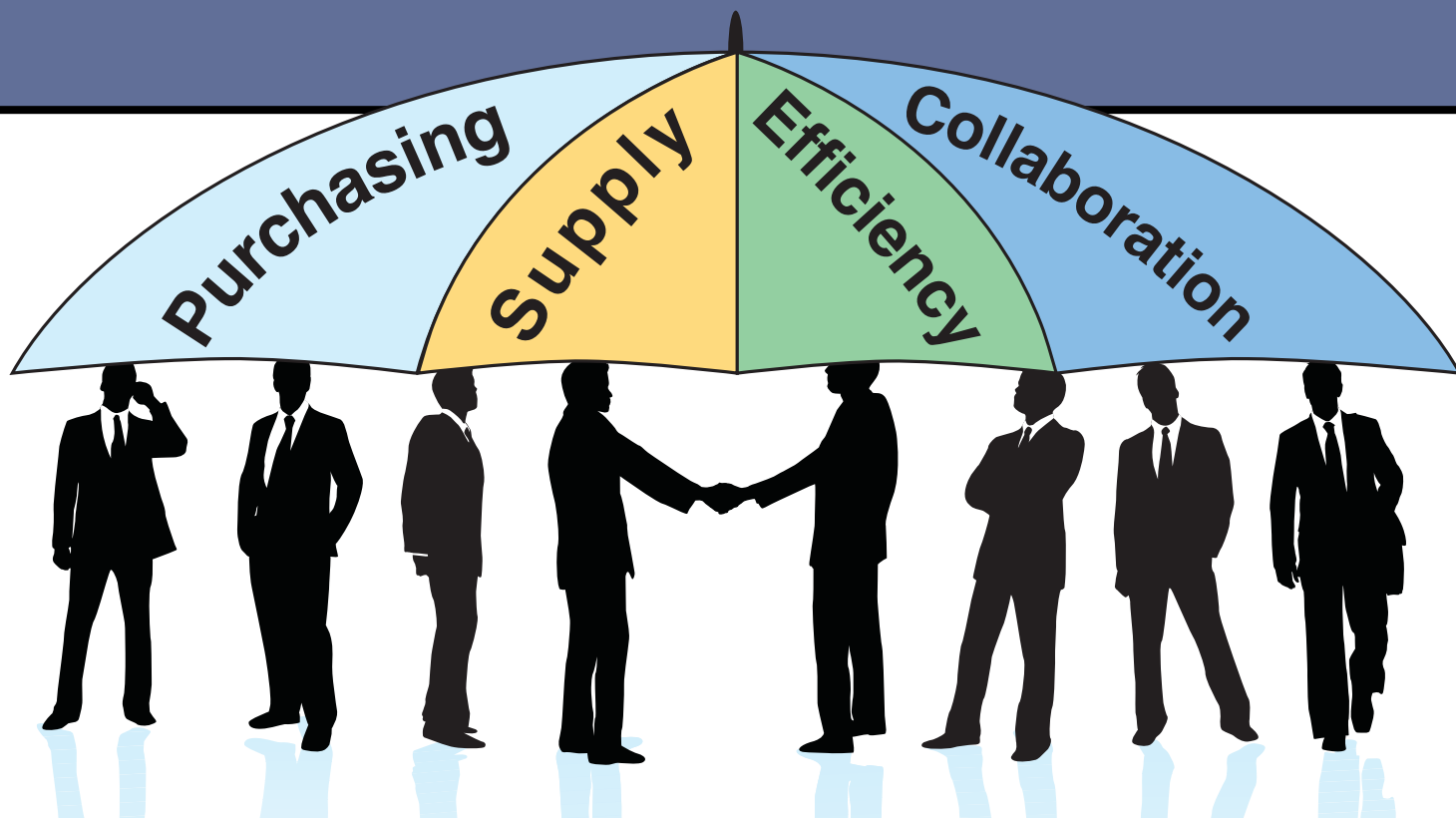
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work together, form a joint tender and share the supplier relationship management process. This kind of collaboration can be seen as reactive; one party has acted upon information available to it, before interacting with the other party and forming a strategic, collaborative relationship.

Public sector organisations can also take a more proactive approach to buy-side procurement. This does not have to mean joint contracts and shared services, but can simply involve the sharing of information and procurement processes. One approach is collaborative sourcing, or supplier adoption. Using an online portal, organisations can come together and invite suppliers to register on an electronic marketplace. The supplier

services. This tends to be the case when services, such as IT support, are outsourced and delivered to the buyers remotely. Other goods and services, such as stationery, may be difficult to share but may lend themselves to joint contracts that enable economies of scale. For example, a single government department may not require enough road grit to warrant a volume purchase agreement with a supplier, but if a number of government departments could order their grit off the same contract then they could benefit from lower prices.

Another proactive approach to buy-side collaboration is based on cross-charging, where one department or authority offers its expertise to another in return for their own offering. Councils in North Wales



have collaborated in this manner, so that one will handle fleet management for the group, another will handle waste management, and so on. This not only enables economies of scale but also means that individual councils' expertise and experience are leveraged effectively. Another example is the common practice for authorities to avoid landfill taxes by sharing their allowances with one another in exchange for other goods and services.

Supply-side collaboration

A much less recognised route to more effective procurement in the public sector is collaboration on the supply side. This can involve collaboration between suppliers as well as collaboration between suppliers and buyers.

Collaboration between suppliers can be as simple as splitting project tenders out to sub-contractors in order to deliver the best possible solution to their customers.

Collaboration between suppliers and buyers can take a number of forms and is greatly enhanced by the use of e-procurement systems and online portals. Online portals can be used to guide buyers and suppliers through the process of contract negotiations and RFQs quickly and effectively, ensuring that no important steps are missed and a full audit trail is retained without any extra effort. The same portal could also be used to allow suppliers 'into' the buying organisation to track the payment status of an order they have supplied to the

buyer, without having to waste time contacting the accounts payable team by phone.

Buyers and suppliers can also collaborate to maintain online catalogues and price lists. Via the same online portal

used to negotiate contracts and track orders, buyers can provide suppliers with a means of

uploading and updating catalogues and price lists for use by the buyer. The two parties can even reach an agreement that any changes to the price lists will automatically be flagged to the buyer for approval before being implemented.

Collaboration to benefit all

Many of the benefits of collaborative procurement should already be clear from the above. The obvious advantages are time and cost savings for buyers, but others in the value chain also benefit. For example, improved visibility of demand from buyers enables suppliers to plan their own supply chain more effectively and therefore better fulfil their buyers' needs. Collaboration also encourages sustainable procurement – both environmentally and economically. Finally, collaboration helps to ensure fairness, transparency, compliance and due diligence in the procurement process.

Putting collaboration into practice might seem complex and just another initiative that public sector organisations are under pressure to implement, but the wide-ranging benefits are clear to see, and technology, such as online portals, can help to make it happen. ☺

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Terry Wilcox

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In summary...

- Collaborative procurement begins at the moment the requisitioner expresses their wish for a good or a service
- One proactive approach to buy-side collaboration is based on cross-charging, where one department or organisation offers its expertise to another in return for their own offering
- Collaboration between suppliers can be as simple as splitting project tenders out to sub-contractors

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