

A guide to assessing purchasing competences using the *Purchasing Profile*

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Overview of the *Purchasing Profile*

The *Purchasing Profile* is a self-diagnostic questionnaire-based toolkit, which was developed by independent specialist consulting company Performance Consulting to help organisations assess and improve their purchasing effectiveness.

At the heart of the *Purchasing Profile* are 20 elements identified by Performance Consulting as present in the purchasing activities of world class organisations. These 20 elements, which range from negotiation planning, to risk analysis and specification development, are based on observations culled from the developers' 35 years of combined experience in purchasing line management and management consulting roles.

Each of these 20 elements is supported by a set of positive and negative indicators (descriptive statements), which help users of the *Purchasing Profile* identify to what extent the elements are present in their purchasing processes.

The *Purchasing Profile* can be used to:

- Identify an organisation's purchasing aspiration (what it wants to be good at)
- Assess the actual strengths and weaknesses of the purchasing team
- Signpost how to implement a course of action to achieve world class processes in the areas of purchasing relevant to the organisation.

Central to the process is the completion of two self-administered questionnaires - the *Purchasing Profile Aspiration Workbook* and the *Purchasing Profile Observation Questionnaire*. These are explained more fully starting on page 3.

Performance Consulting plays a valuable role in facilitating the use of the model, and in statistically analysing the results of the *Purchasing Profile Observation Questionnaire*. When designing the product, Performance Consulting was sensitive to the need for maximum results with minimal disruption to the daily business of a client company. The *Purchasing Profile* does not require a large amount of management or consultant time and does not result in large cumbersome reports.

The *Purchasing Profile* diagnostic toolkit combines the best of purchasing experience with methodologies used in psychometric testing to produce a tool which is statistically reliable and far more accurate in company profiling than many traditional management consulting techniques. It is easy to use, encourages staff buy-in and is action oriented.



Using the *Purchasing Profile*

This section describes the stages involved in using the *Purchasing Profile* effectively. The description of each step will cover the aims, people who should be involved, action to be undertaken, the outcomes and the role of Performance Consulting.

1. Agreeing the Scope

Aim

The objective of this stage is for the project champion and Performance Consulting to define the project scope and to set clear boundaries which are relevant to the organisation and which will act as a baseline for comparison and targeting.

Actions

This requires defining the nature of the purchases being reviewed and the community of employees to be involved in the project. The scope of the exercise can be set in a variety of ways. Typically, four elements play a large part in deciding the eventual design:

- Purchase types: focusing on services, or materials, or particular purchases
- Locations: comparing and contrasting the purchasing processes within a designated organisational or geographic segment
- Buying groups: choosing a defined group of purchasers such as marketing or R&D
- Customer groups: selecting a specific set of customers to whom purchasing services are provided

In some cases it is possible, by prior agreement, to achieve comparisons between companies where the data is available or can be obtained and the companies in question are willing to participate in such an exercise.

It is in this stage that we set the measurement criteria by which we will assess the opportunities that arise.



2. Setting an Aspiration

Aim

The objective of this stage is to get the management team to agree a specific target for the level of achievement it aspires to for each of the 20 elements of the *Purchasing Profile*. This set of targets becomes the aspiration profile against which the actual practices of the purchasing community are later compared.

Actions

Members of the management team and senior stakeholders are asked to individually complete the *Aspiration Workbook* in advance of a workshop. This involves setting a level of attainment for each of the 20 elements of purchasing set out in the *Purchasing Profile*. These elements are explained in the section entitled “The *Purchasing Profile* Model” (pages 8 to 10.)

The four levels of competence defined in the *Aspiration Workbook* for each of the 20 elements of purchasing are:

- **Innocence:** the organisation is unaware of or sees no need to develop its skills and capabilities in this area
- **Aware:** the organisation acknowledges the need to develop competence in this aspect of purchasing but lacks sufficient understanding to set a clear objective
- **Competent:** the organisation has a clear understanding of its desired state and has established appropriate methods to achieve it
- **Challenging:** the organisation has established practices that constantly challenge the established methods and looks to re-invent itself on a continuing basis

(Extracts of the Aspiration Workbook are included in Appendix I.)

Performance Consulting facilitates a workshop including the management team and senior stakeholders to explore any differences in the views of the group about the aspirations and to negotiate agreement on a final position for the level of attainment for each of the 20 elements.

It is important to consider any diversity in views, which could result in the need to develop different targets for different parts of the organisation. This could mean setting different aspirations for different segments of the organisation or suppressing completely elements that are not felt to be important.



3. Gathering Evidence

Aim

The purpose of this stage is to develop a profile of actual, rather than aspired to, purchasing activity by asking all people in the defined purchasing community for their observations of purchasing activities. The responses are plotted to produce a series of graphical profiles of actual purchasing processes, which score the relative strengths and weaknesses of an organisation's purchasing activities.

Actions

The client uses the Performance Consulting *Observation Questionnaire* to survey the widest possible group of purchasers necessary to develop a representative *Purchasing Profile*. These purchasers may not necessarily be limited to people working in the purchasing department but include a variety of stakeholders involved in the purchasing process. A more detailed list of these stakeholders can be found in Appendix I on page 22.

The *Purchasing Profile Observation Questionnaire*, which is available on a 3.5 inch computer disk and can be completed in under an hour, is self-administered and requires no support. This enables organisations to survey the widest possible group efficiently at little cost. It also means that respondents can complete the questionnaire at a time convenient for them. The application is contained completely on the disk and is at no time loaded onto the client's computer system.

The questionnaire asks respondents to state the extent to which they recognise the presence or absence of a suite of positive and negative indicators (descriptive statements) of performance. Crucially, it does not ask for *opinions* about what should or should not be done but focuses on the actual *activity* of the individuals completing the questionnaire.

The questionnaire was developed using the methodologies employed in the development of psychometric tests and it has been subjected to rigorous testing. When the questionnaire has been completed the disks are returned to Performance Consulting for statistical analysis. The responses are combined to present a variety of profiles of purchasing behaviour. The *Purchasing Profiles* can be segmented in a variety of ways to suit a client's needs. Examples of typical profiles from past assignments are included in this guide on pages 15 to 17.



4. Gap Analysis

Aim

The purpose of this stage is to combine the *Purchasing Profile Aspiration* and *Purchasing Profile Observation Profiles* in order to identify the gaps between the client's "where we are" and "where we want to be" profiles. The examples included in this guide on pages 15 to 17 show how the gaps between aspiration and observation emerge when the two profiles are mapped on to each other.

Actions

Performance Consulting facilitates a workshop team representing management and staff and aimed at identifying and prioritising the gaps that the team believes are most significant for the organisation and to consider how improvement in these areas is best addressed.

This workshop is highly participative and uses as a key input the various profiles generated from both the *Purchasing Profile Aspiration* and *Purchasing Profile Observation Questionnaires*. The workshop team can compare and contrast the different results and perspectives for each of the contributing groups.

The profiles will clearly show, among other things:

- Differences in the views of different teams
- Differences between grades
- Differences across sites
- Where best practice sits and in what element
- The parts of the organisation that can provide leadership



5. Investment Analysis

Aim

The purpose of profiling is to improve business practices. The purpose of this phase is to prepare a robust business case in support of any gaps, which the team has selected to work on.

Actions

Only where there is a business benefit from attacking a perceived gap is there a clear case for committing business resources. Therefore, the team needs to undertake a full cost-benefit analysis of proposed improvement options. The investment necessary to achieve each of the various improvements that have been signposted must be costed and compared with the benefits arising from successful implementation.

6. Recommendations

Aim

The purpose of this stage is to develop an agreed approach to successfully communicating and implementing the recommendations agreed following the gap analysis.

Actions

Only proposals that pass the investment test become fully-fledged recommendations. This requires the identification of a champion for each one, who will compile a charter, detail the business case for the recommendation and list the activities necessary for its successful implementation as illustrated in the table below:

Activity	Description	D	O	N	E
List activities by title.	A short description of the activity.	The person(s) who will do the work.	The person who will be ensure success.	Those who need to be made aware of what is happening.	Those who are required to give consent.

Doing: Completing the tasks and activities.

Owning: Steering the team and ensuring conformance to plan.

Network: People who need to be aware of what is proposed and happening because it will impact on them.

Enlisted: People who need to be supportive of the proposals because they can prevent progress.



7. Action Planning

Aim

The purpose of this stage is to compile detailed action plans for each of the agreed recommendations.

Actions

The action plans must include resource requirements, time-scales and key milestones. Experience suggests that they should also include regular liaison opportunities with any other teams working on different gaps and project review meetings where the overall direction and deliverables of the project can be re-assessed in the light of changing data.



The Model

Performance Consulting's *Purchasing Profile* uses a model of purchasing excellence derived from observations of best practice. It is a dynamic model, which evolves as organisations change and new practices emerge and become embedded.

Currently, the profile comprises 20 elements:

1) Competence Development

The extent to which people involved in purchasing are trained and developed in the skills required. This includes the identification and targeting of training needs for individuals, and the degree to which the organisation encourages continued professional development.

2) Cost Management

The extent to which the organisation is able to measure and analyse all the costs associated with the use of external resources. The quality of information available to purchasers about total costs as well as prices. The extent to which the organisation attempts to manage all purchasing related costs, both internal and external.

3) Demand Planning

The degree of awareness of future demand for goods and services to be purchased. This includes awareness of supplier capacity, and changes in internal requirements and the accuracy of the demand planning process.

4) Negotiation Planning

The extent to which purchasers prepare for negotiations and take a structured approach to that planning process. The effectiveness of the negotiation planning process in improving negotiations and avoiding subsequent problems.

5) Purchasing Aggregation

The extent to which the purchase of similar items and services by different parts of the organisation are co-ordinated, and the effectiveness of that co-ordination. The extent to which purchasers are aware of the activities of other purchasers rather than acting completely independently.

6) Purchasing Horizons

The breadth of sources of new ideas and the openness to innovation and change. The degree to which the purchasing activities are open to new ideas from outside the organisation. The extent to which the organisation seeks out or is resistant to change in its purchasing activities.



Using the *Purchasing Profile*

7) **Price Management**

The methods by which the organisation attempts to manage price. The quality of information available about suppliers' pricing, and the extent to which that information is used to manage the drivers of price.

8) **Purchasing Procedures**

The extent to which the organisation has developed and applies a standard set of procedures to its purchasing. The effectiveness of communication of the purchasing procedures and the degree to which staff involved in all areas of expenditure understand and make use of them. The development of new procedures to encourage best practice.

9) **Purchasing Scope**

The level of involvement and influence of the purchasing function or specialist purchasing expertise. The extent to which budget holders have access to, and make use of specialist purchasing experts to assist in all areas of expenditure.

10) **Quality Management**

The effectiveness of methods to ensure high standards of quality of goods and services purchased. The amount and usefulness of information available about supplier performance and the extent to which the organisation works with suppliers to ensure quality improvements.

11) **Risk Analysis**

The methods used to anticipate and assess risks associated with the use of external resources. The extent to which there is a formal methodology for risk assessment which is consistently applied.

12) **Risk Reduction**

The steps taken to manage and reduce risks that have been identified. The extent to which areas of risk are brought to the attention of and included in negotiations with suppliers. The use of contracts to anticipate possible areas of risk.

13) **Specification Development**

The process by which requirements for goods and services are specified. The methods by which the organisation keeps track of and controls the proliferation of specifications. The extent to which users and designers are aware of the purchasing implications of introducing new variants. The extent to which specifications are developed on the basis of the functionality.



Using the *Purchasing Profile*

14) **Systems and Information**

The quality of management information available about purchasing activities and the ease of availability of that information. The extent to which information technology is used to capture and analyse all relevant purchasing records. The extent to which common systems are established across different areas of purchasing.

15) **Supplier Management**

The extent to which the organisation is proactive in managing relationships with suppliers. The systems for agreeing standards for and monitoring supplier performance, exchanging feedback with suppliers, and working together to achieve improvements.

16) **Setting Objectives**

The degree to which objective setting is used to improve purchasing performance. The objective setting process, and the extent to which it is in line with purchasing strategy and provides real business benefits.

17) **Supply Market Research**

The amount and quality of information gathered about the markets from which the organisation buys. The amount of effort made to gain and maintain in-depth market knowledge.

18) **Supplier Recruitment**

The way in which new suppliers are introduced to the organisation, and the extent to which a systematic and thorough approach is taken to evaluate potential suppliers before doing business with them.

19) **Stock Management**

The level of sophistication of the stock management systems. The effectiveness in planning stock levels across different item types, and the accuracy of information about stocks.

20) **Strategy Development**

The extent to which there is a formal strategy development process for purchasing. The degree of involvement of very senior management and the level of cross-functional input into the purchasing strategy. The use of a strategy to focus purchasing activities in line with overall business objectives and to concentrate on key areas of expenditure.



Benefits: Why the *Purchasing Profile* approach works

In designing the *Purchasing Profile*, we were careful to design not just a product, but a *process* within which the product could be used to ensure maximum effectiveness.

We set out to develop a means by which organisations could embark upon an improvement process with a clear model of the future; a customised set of objectives and the means to encompass the widest possible community in the assessment of the current position.

At Performance Consulting we strongly believe that business improvement initiatives fail to realise their full potential for four broad reasons. Below we explain how the design of *Purchasing Profile* helps organisations avoid these common causes of failure.

Logical incrementalism

The culture of continuous improvement has become increasingly prevalent in organisations. This has led to a focus on improvement where the start point is the current position.

Resulting proposals are inevitably incremental in nature – they improve the current position by a small amount. This type of adaptive change is easy to implement but rarely results in a fundamental change to business practices. Step-change requires a more radical and innovative approach to the targeting of improvements.

The management team needs to be challenged to look outwards and measure improvement as the distance away from a goal rather than the extent of advance from the start point. The *Purchasing Profile Aspiration Workbook*, which draws on the 20 elements of world class purchasing, provides an external challenge and a workshop tool for facilitating the setting of future goals.

Universal truths

Many initiatives start by focusing on organisational weaknesses. Where these weaknesses are directly related to performance this is to be encouraged. However, too often these perceived weaknesses are the result of comparisons with organisations that have different objectives and different imperatives.

This results in targeting improvement in areas which will not deliver benefits however good we become at them. “Zero variability” and “zero stock” serve as two examples which many organisations would do well to acknowledge as world class practices and then reject as being inappropriate in their world.



We are all too well aware of the dangers of benchmarking, which can produce unrealistic and unhelpful comparisons between dissimilar organisations. Our emphasis is on benchmarking an organisation's aspirations against its actual activity. This approach allows the company to set targets, which are consistent with an organisation's overall objectives.

Focus on opinions

Frequently business improvement initiatives rely on workshops to contribute the pool of data. Workshops are by their nature limited in their view of the organisation. Typically they are comprised of the people who could be available or who are activists in the organisation and are comfortable in this type of environment.

In this environment views and opinions about who does what or what happens where is the currency of debate. Empirical evidence is difficult to obtain and therefore does not play a large part in the design of the future. Many people prefer to critique or discuss a proposal rather than join in a blue-sky discussion of possibilities. This type of person often sits quietly in workshops rather than fight for airtime in a vociferous group. A successful business improvement initiative must find a way to embrace as wide a selection of people as possible.

The *Purchasing Profile* overcomes this problem by providing a rigorously tested questionnaire that has been developed using methodologies applied in psychometric testing. The people taking part in the survey are asked to speak from their experience of how they actually carry out the day-to-day tasks involved in the purchase of goods or services.

By focussing on individuals and what they know about their tasks, and not what they think about others, we avoid the need for people to express opinions on aspects of the organisation they are not always familiar with.

Logistics of data gathering

Many organisations now are located on different sites or in different countries. This can make the cost of embracing the entire community prohibitive. The logistics of arranging meetings, resource requirements and travel costs all add to the pressure to minimise the number of people involved in the data collection process.

Add to this the difficulties of getting agreement to a report, which was written by a committee based upon different individual's contributions from various meetings, or interviews they held, and the data task can easily become overwhelming or confused.

The *Purchasing Profile* is available electronically. Therefore, it is a tool that can be distributed to a wide variety of people who can fill it in at their own convenience. According to individual preference they can complete it in stages, at home or in the office or even when travelling.

Once completed, the responses can be returned directly to Performance Consulting on. Using this approach avoids the need for wide ranging general meetings and eliminates the time consuming and expensive need to bring people together in the one forum simply to discuss how they do their work.



Examples of the *Purchasing Profile*

This section provides various examples of how data obtained from responses to the *Purchasing Profile Aspiration Workbook* and *Purchasing Profile Observation Questionnaire* are combined graphically to present a clear picture of the relative strengths and weaknesses of purchasing in an organisation.

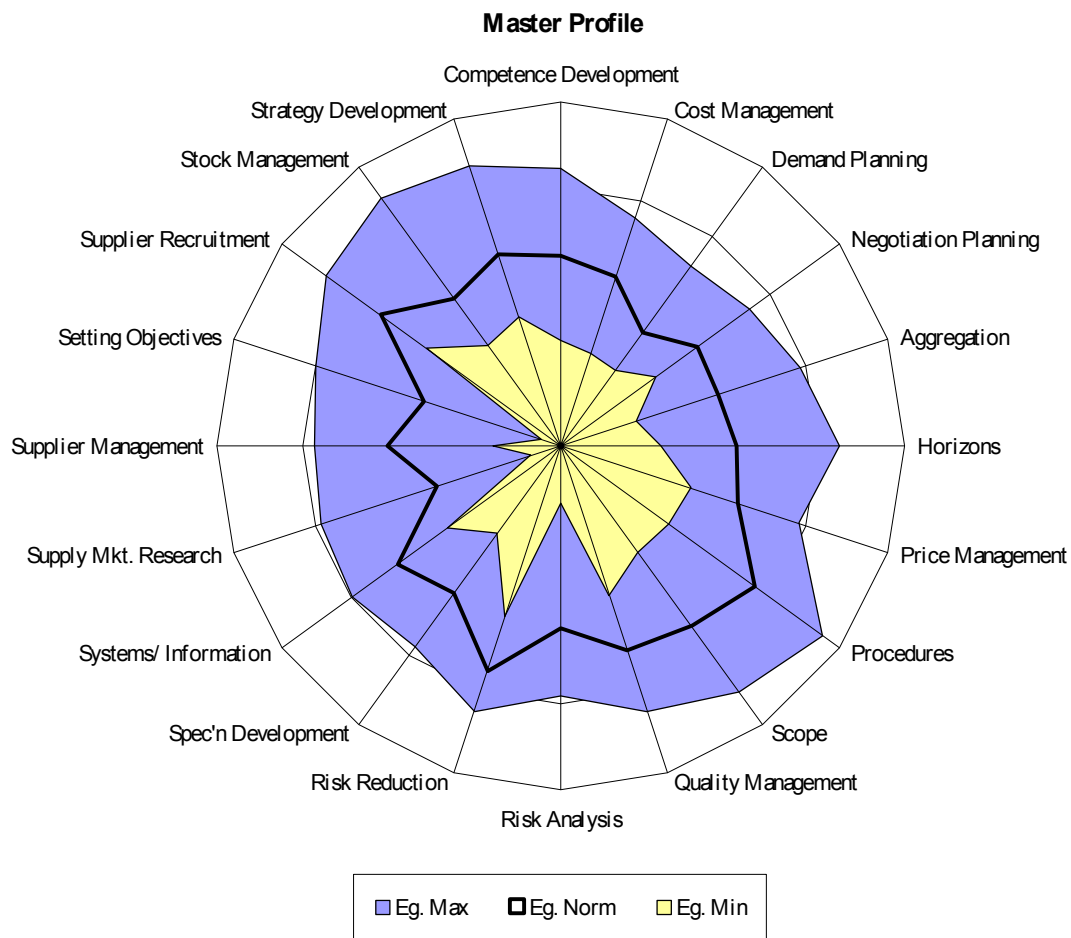
The resulting profiles provide a highly effective visual tool for representing an organisation's current buying performance and for facilitating decision making about the elements on which an organisation needs to focus.

These clear and easy to understand *Purchasing Profiles* replace large reports which are unnecessary when the findings can be so clearly demonstrated.

Performance Consulting can provide a wide range of profiles that allow the responses to be analysed in a variety of ways. It can plot the responses of all individuals as well as subgroups, such as specific buying and management teams, and even (in exceptional circumstances) individuals.

To give you a clearer understanding of how the profiles are used, the following examples are accompanied by brief descriptions explaining the types of conclusions that can be drawn.





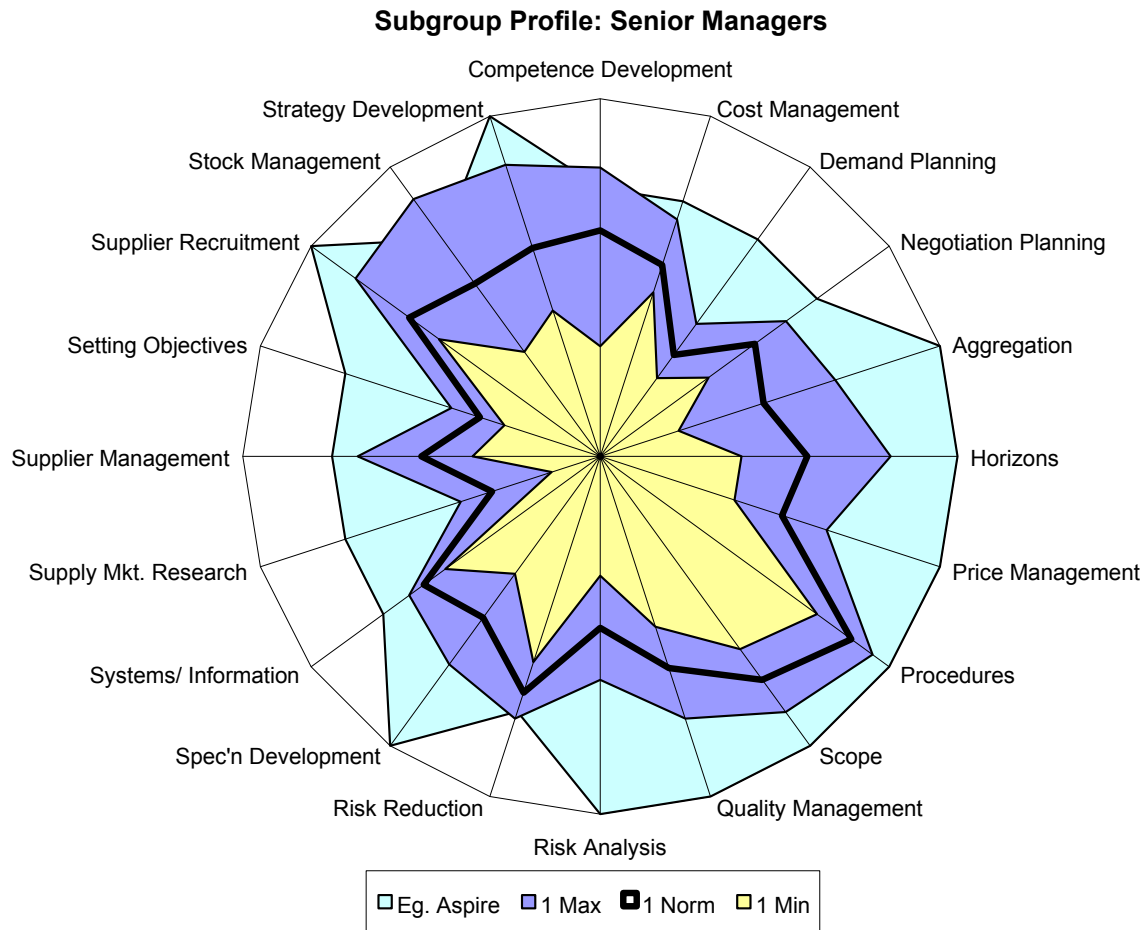
Purchasing Profile 1: Master profile

This profile plots all the responses from the *Purchasing Profile Observation Questionnaire* from an organisation's purchasing team. It tells us that the company is strong in the downstream, or operational, purchasing areas such as procedures, scope, supplier recruitment and stock management but quite weak in the upstream purchasing areas such as cost management, demand planning, negotiation planning and price management.

This indicates that the organisation is good at buying what it is told to buy, but its lack of performance in the upstream processes means that the business could be shouldering a higher cost base than is necessary. The organisation's cost base could be improved by increasing its strengths in these elements.

The wide spread of responses for risk analysis, procedures, setting objectives and scope mean it is difficult to be conclusive about the actual buying performance of the company in these areas. It is not possible to establish priorities for improvement, as this profile does not record the organisation's aspiration.





Purchasing Profile 2: Profile of a subgroup of senior managers.

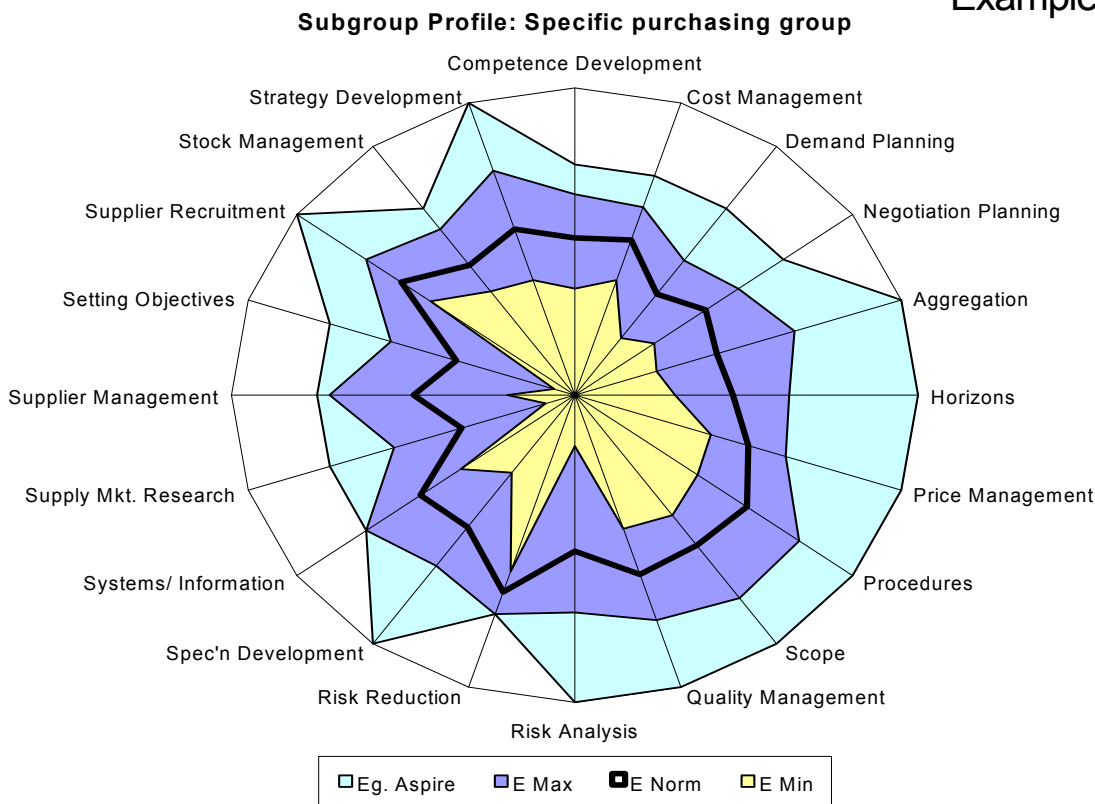
This profile illustrates the spread of responses from a group of the most senior grade of buyers and maps it on to the aspirations agreed by the organisation's management team.

The aspirations, the outer light shaded area, shows us that the company wants to be world class in all the elements of purchasing from aggregation through to risk analysis as well as specification development, supplier recruitment and strategy development. It aspires to be competent, rather than world class, in areas such as cost management, competence development, demand planning and supplier management.

The observations, in the dark grey shaded area shows us that the company is already very strong in areas such as procedure, supplier recruitment and stock management. It is difficult to be conclusive about its performance in areas such as stock management and competence development because of the wide spread of responses.

This company is faced with two choices: to become better at elements of buying in which it is already competent or, become competent at things it is not good at. The former will need it to focus on aggregation, horizons, price management, quality management, risk analysis and specification development. If it opts for the latter route, it will need to focus on supply market research, setting objectives and demand planning.





Purchasing Profile 3: Profile of a specific purchasing group

This profile illustrates the spread of responses to the *Purchasing Profile Observation Questionnaire* for a specific buying group and compares it to the management team's aspirations.

Taking the aspirations first, the management team aspires to excellence in the upstream elements of purchasing in the elements on the right side of the radar between aggregation and risk analysis, as well as specification development, supplier recruitment and strategy development. It places less importance on the downstream areas such as risk reduction, cost management and demand planning, where it aspires to be competent rather than world class.

The very wide spread of responses about many elements means that it is hard to be conclusive about the performance of buying in areas such as supplier management, risk analysis, setting objectives and supply market research. However the responses suggest that the team is competent in most elements, with aggressive aspirations to be far better.

This is a robust and competent buying group but to make a step change it needs to get involved earlier in the purchasing process.

For this team to achieve its aspirations, it will need to concentrate on building its strength in upstream areas such as aggregation, horizons, specification analysis, and risk analysis.



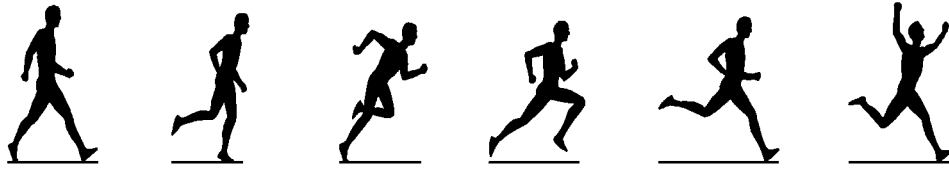
Appendices



Appendix 1: Extracts from the Aspiration Workbook.

The following pages are extracts from the Aspiration Workbook. It includes an explanation of how the aspiration workbook is used, a sample aspiration page for competence development, and the aspiration-scoring sheet.





PERFORMANCE
Diagnostics

Purchasing Profile

*Aspiration
Workbook*



Introduction

Using the Aspiration Workbook

This Aspiration Workbook is in the form of a questionnaire designed to be completed during a facilitated workshop hosted by a Project Champion. The Workbook breaks the purchasing process down into 20 activities. For each of these activities a definition is provided and then a suite of potential descriptions is offered.

Participants should place themselves in the position of an external person looking at the purchasing processes in the organisation. They will produce a document which describes each of the elements. Through discussion the group is asked to identify the description which they believe is the most appropriate aspiration or target for each element of the purchasing process **within the scope of the workshop**.

The scope of the workshop may be defined in one of four ways:

- ✍ by the organisation being considered (e.g. company “X” or “Y”)
- ✍ by unit or division within an organisation (e.g. region, subsidiary or department)
- ✍ by types of purchases (e.g. services, core products or goods for resale)
- ✍ by specific purchases (e.g. packaging, chemicals, facilities)

It is important to agree and remain focused on the defined scope .

In considering the selection of the appropriate description for each element there are some key questions:

- ✍ how important is effective purchasing, or the purchases themselves, within the defined scope to the organisation?
- ✍ how critical is the specific element of the process under review to the success of the organisation?
- ✍ what types of benefits would arise from a higher level aspiration?
- ✍ what investment would be required to achieve the proposed level?

Having identified the description for each element which reflects the views of the group, place a tick in the box next to the agreed position. After all the elements have been considered, these are recorded on the bar chart at the end of the workbook for discussion. Later, when the observation questionnaires have been completed, this can be converted into a radar plot.



Introduction

Identifying Stakeholders

There are several different perspectives on the role of purchasing within an organisation and on the appropriate approach to each element of the purchasing process.

Any person taking part in the workshop should fulfil one of the stakeholder roles outlined below. Frequently, people will carry out more than one type of stakeholder role.

Glossary of Stakeholders



Purchasing Owner

The person with overall accountability for the effectiveness of purchasing/procurement in the organisation.



Purchasing Officer(s)

People specifically recognised within the organisation as having a role dedicated to the purchasing of goods/services.



Specifier(s)

The person(s) responsible for specifying the goods/services required and the standards expected of the supplier(s).



Contracter(s)/Purchaser(s)

The person(s) who negotiates and enters into contracts on behalf of the organisation.



Budget Holder(s)

Those responsible for the budgets from which the relevant goods/services are paid for.



User(s)

Those who actually make use of the goods/services procured.



Customer(s)

Those to whom services are provided by the user.



Competence Development

- The extent to which people involved in purchasing are trained and developed in the skills required.
 - This includes the identification and targeting of training needs for individuals and the degree to which the organisation encourages continued professional development.
-

Purchasing skills are present in any competent manager and are gained from experience.

✓

I	
---	--

We make extensive use of external training programmes to support the development of our purchasing competences.

✓

A	
---	--

We have identified the core competences required of people in the organisation who spend money externally and send them all on negotiation training courses.

✓

C	
---	--

We recognise that purchasing is a required competence of all managers above a certain level.

✓

W	
---	--

Purchasing training involves specification engineering, cost analysis and facilitation skills.

Notes



Analysis

Recording your Aspiration

Transfer the selection you have made for each element onto the grid below by shading the boxes the left up to the point you have chosen. In the example below, Risk Analysis has an aspiration tending towards Challenging.

	Innocent	Aware	Competent	Challenging
Risk Analysis				
	Innocent	Aware	Competent	Challenging

Competence Development							
Cost Management							
Demand Planning							
Negotiation Planning							
Purchasing Aggregation							
Purchasing Horizons							
Price Management							
Purchasing Procedures							
Purchasing Scope							
Quality Management							
Risk Analysis							
Risk Reduction							
Specification Development							
Systems and							
Supplier Management							
Setting Objectives							
Supply Market							
Supplier Recruitment							
Stock Management							
Strategy Development							



Appendix 2: *Purchasing & Supply Management* article

The following article appeared in *Purchasing & Supply Management* 18th July 1998.

By focusing on simple top-level results to assess buyers' performance, managers are missing the most crucial determinant of performance - the buying process.

Measuring buying performance is a conundrum. Even the most die-hard devotees of performance measurement are likely to confess that traditional measurement tools just aren't up to the job.

Many measures - such as purchase price variance, savings made, coverage and number of suppliers used are useful at having a good stab at getting a feel for a purchasing team's output, but they throw up more questions and problems than they answer. They don't take into account the differences between purchasing teams nor how to set purchase price variance against different teams and buyers. They tell a manager what results buyers are getting, but not necessarily how well they are doing the job.

This drive for results based assessment has overshadowed the more crucial issue of getting the buying process right. As several companies have realised too late, it's an oversight not to be sniffed at.

Poor procurement processes have been the cause of major financial accounting errors and share price slides for companies from retailing to automotive manufacturing. These experiences provide sobering reminders, should any be needed, that purchasing processes do have serious implications for the overall health of a firm. By using inappropriate performance measurement criteria, companies can actively reward buying behaviour that is against a company's best interests. As long as purchasing is regarded simply as being about the measurement of prices paid or some other output based indicator, buyers will be encouraged to act in ways that ignores the quality of the buying process.

Many companies are indeed aware of the importance of the issue. The rise of purchasing benchmarking clubs in recent years is, in part, a reaction to the problem of assessing performance. Managers felt that if they could assess their outputs against a number of other companies they could start to get a feel for how well they were performing. The problem with benchmarking is that it can only identify differences; it does not signpost reasons for good or bad performance. More dangerously, benchmarking can introduce red herrings. What appears successful in one industry does not necessarily translate well to another industry or company culture. Like traditional measures, benchmarking often focuses on outputs. By asking themselves 'what results are we getting' purchasing managers have overlooked a more important question: 'are we delivering a purchasing process that gives us maximum competitive advantage?'

The drive for results has overshadowed the importance of how people purchase.

Shifting the focus from outputs to process can resolve problems for managers. First, it helps to overcome the assessment issue by allowing them to assess a buyers' performance according to their adherence to the purchasing processes established by the company. Secondly, it gives managers a tool for pinpointing strengths and weakness of a team's performance as a whole. If adherence to best practice processes is strong but results are poor, managers can more accurately pinpoint which parts of the purchasing process needs to be changed.



For buyers, it should mean that they are not penalised for poor results caused by poor processes over which they do not necessarily have any say.

But assessing the strengths and weaknesses of a purchasing process is problematic in the absence of measurement tools.

The newly appointed head of purchasing for a UK drinks company, who wanted to be able to pinpoint the strengths and weakness of his buying department so that he could agree a strategy to take the function forward, turned to a recently developed tool.

He used a self administered questionnaire based model for performance assessment developed by Performance Diagnostics Limited, a company set up by independent purchasing consultants Eric Evans and Robert Maguire. Evans and Maguire first worked together at management consultant Ernst & Young in the 1980s and, between them, they have 35 years of purchasing experience both within companies and in 'big six' consultancies.

He used the profile to establish a route map for the development of the purchasing function. The profile gave the purchasing team a language to debate where changes were needed. It provided a vehicle to establish a goal to work towards and to set priorities for future development with the involvement of the entire purchasing community.

The *Purchasing Profile* model was developed to help companies identify their strengths and weaknesses according to 20 criteria found to exist in 'excellent' purchasing processes. Maguire and Evans identified the 20 factors based on their accumulated experience in purchasing and from drawing on the experience of clients, practitioners and other consultants.

For each of the criteria the process began with the development of a short model of excellence. In turn, each of these was investigated to identify the behaviours that truly differentiate between positive and negative results. Following a review of the responses of some 600 purchasing professionals these indicators were distilled to develop the questionnaire. Respondents are asked to respond to approximately 250 questions, which combine to provide a score on each of the elements listed below.



Elements of the *Purchasing Profile*:

Competence Development*	Risk Analysis*
Cost Management	Risk Reduction*
Demand Planning	Specification Development
Negotiation Planning*	Systems and Information
Purchasing Aggregation	Supplier Management*
Purchasing Horizons	Setting Objectives
Price Management	Purchasing Procedures
Purchasing Scope	Quality Management & safety*
Supply Market Research	Supplier Recruitment
Stock Management	Strategy Development*

The model works on two levels. Using a workbook, purchasing managers are asked to plot their aspirations for their purchasing department by identifying the level of attainment they wish to set for each element: effectively establishing their priorities. Strength in all 20 is not mandatory.

In the second stage employees with purchasing responsibilities (not necessarily in the purchasing function) complete a questionnaire that asks them to rate the occurrence in how they conduct their job of a series of statements about purchasing. The exercise is very similar to psychometric tests and indeed has undergone the rigorous testing required of psychometric questionnaires to ensure the validity of the questionnaire and that the output provides a reliable picture of actual practices in the business. Some typical examples are illustrated overleaf.

Performance Diagnostic feeds back a briefing on the strengths and weaknesses of a company's purchasing process based on the questionnaire results and identifies gaps with actual activities and a company's aspirations. It also enables the team to identify differences in perceptions between different segments of the purchasing community.

Examples from the *Observation Questionnaire*

	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
We offer our resources and expertise to improve suppliers' processes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
There is multi-functional input to the purchasing strategy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We have little formal market information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Our purchasing strategies are formally reviewed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
We investigate potential variables in advance of a negotiation.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

A US based international telecomm company, which operates communications networks worldwide and has purchasing centres in five countries, wanted to assess purchasing strengths and weaknesses without committing to a large-scale consulting exercise. It used the model to identify centres for purchasing process excellence within the company from which other parts could learn.



The management team then set out to put in place a process by which this best practice could be rolled out across the business.

Currently, defence company AWE has used the *Purchasing Profile* alongside traditional performance measures to help it set improvement targets. AWE purchasing manager Tony Batley said the profile that resulted from the questionnaires presented an accurate picture:

"We recognised ourselves in the profile. For example, we have excellent purchasing procedures - but you would expect that from a company in our industry where adherence to regulations is part of our culture. The profile gave us a common base for discussing what we want to focus on and be better at." Batley says 'It has helped us move on to setting objectives for improvement in our performance.'

While feedback to the model has been positive, the *Purchasing Profile* is not a panacea for all the problems inherent in measuring purchasing performance.

The strengths of the model are that it provides a common language for management and purchasers to discuss and understand the strengths and weaknesses of their company's purchasing. By including the feedback of all people involved in the purchasing process in a statistically validated questionnaire it provides a far more accurate profile than managers could elicit by simply looking at results, or through a conventional interview based assessment. However using the *Purchasing Profile* for personal assessment needs to be approached carefully. Although some clients have, not surprisingly, been eager for individual profiles to be provided as part of the feedback the approach lends itself most powerfully to analysis across and between groups.

The profile does not comment overtly on people's capabilities or capacities. It describes what people do and therefore it provides insight into conformance with the best practice. It can be used to see where non-conformance to best practice processes is occurring and that issue can be addressed. However, if someone is conforming to best practice processes and their performance is judged to be poor, then, at the end of the day purchasing managers have to take responsibility for changing their processes, rather than their buyers.

No one model is ever likely to resolve the problems inherent in assessing buyer performance. But shifting the argument from results to processes may at least be a step in the right direction.

