

THE RISE AND RISE OF THE CPO

PUBLIC SECTOR PROCUREMENT PROFESSIONALS FACE A NUMBER OF CHALLENGES IN 2011. **CRAIG DONALDSON** EXAMINES WHAT GOVERNMENT ORGANISATIONS CAN DO TO ATTRACT THE BEST PROCUREMENT TALENT.

■ The complex economic environment in Australia and around the world will have a significant impact on public sector chief procurement officers (CPOs) in 2011.

Cost management will always remain a central issue for CPOs in government, and the differing economic performance and development opportunities for each Australian state will also have challenging budgetary outcomes.

Guy Callender, chair in leadership of strategic procurement at Curtin Business School, has no doubt that procurement decision-making will become more complex, and the need to meet the service commitments of governments at local, state and federal levels will maintain pressure for increased professionalism of procurement decisions and practices.

"Apart from the growing legal implications of contracting terms and conditions, the changing nature of government procurement is itself a source of complexity. As governments outsource their activities, contracts for goods become contracts for the provision of services," says Callender.

The sourcing of goods becomes trickier as more offshore or international suppliers become involved, and Callender says the nature of government financing of major projects – whether through public-private partnerships or some type of private financing of public activities – is leading to greater sophistication of contracting and contract management.

"While documentation is still important,

the planning, development and management of procurement contracts that deliver the needs of local, state and federal governments makes strategic procurement an exciting and challenging professional function in government and business," he says.

Similarly, René Kling, general manager of Supply Chain Management Education Australia, says in 2011 public sector CPOs will be expected to improve systems, costs and efficiencies. In many ways, he says this requires private sector thinking, albeit in a government context, with its obvious constraints.

"Governments, at whatever level, will increasingly demand their professionals to be qualified in making decisions and thinking more strategically, rather than being transaction focused," he says.

"There is a general trend to appoint procurement professionals at senior levels (CPOs), who report direct to the highest levels.

"In government, this will be a challenge, as often there are still too many layers between the CPO and a CEO or director general; this needs to be addressed if effective change is to come out of the procurement profession in government at all levels."

Jonathan Dutton, managing director of CIPS (The Chartered Institute of Purchasing and Supply) Australasia, agrees that the pressure is always on to get the best value for every dollar of public investment. At a federal level, he says the Department of

Finance and Deregulation, in the previous Parliament under Minister Lindsay Tanner, highlighted the role of procurement as an instrument of policy – firstly as a fiscal restraint, and then as part of the stimulus package.

A stream of initiatives is testimony to the key role procurement plays in the federal government, Dutton explains. The high-profile federal initiatives on reducing IT expenditure and travel spend were widely communicated, while other notable examples included the appointment of a federal procurement coordinator within the department, enhancements to AusTender, and an ongoing PR campaign behind cutting waste and costs.

ADDRESSING SKILLS

There has been an ongoing skills shortage in procurement throughout Australia and New Zealand for most of the past decade, Dutton says. Soaring salary rates in the profession (especially in Western Australia) and the growth of the support services sector, such as recruitment companies and consultancies, are evidence of this, he says. Supply-side skills have been on the skilled migration 457 visa list in the past, but importing talent is just one, limited, solution, says Dutton.

He says government CPOs should be training their teams to accepted international standards, and that CIPS has been working with the Australian Procurement and Construction Council (APCC) to define professional standards for public procurement professionals in an international context, and to open new pathways to study towards world-class standards.

"CPOs in government departments and agencies need to invest in training their teams to these standards individually.

"The cost of thousands of dollars is negligible compared to the billions of public dollars they are committing on behalf of taxpayers. And the risks associated with modern supply chains need professional management," he says.

"Training and educating procurement staff to exacting global standards will build their confidence and better equip them to deal with myriad service chain issues, sourcing questions, policy variations, supply-side shocks, legal requirements, probity standards, sustainability needs and project management skills that the modern world demands from its purchasing efforts."

CIPS has accredited existing government procurement training schemes in four states (Queensland, Victoria, New South Wales and South Australia), and also offers e-learning packages for direct study towards CIPS qualifications for diploma membership, advanced diploma level and full MCIPS level.

CIPS-approved study centres and RTOs offer a variety of blended learning schemes and from February onwards these programs will include the new AQF level 4 certificate in government procurement qualification.

Callender agrees that the skills shortage for well-qualified procurement practitioners will continue to be a challenge for the public sector.

"The skills shortage in procurement is often not obvious to organisations unless they examine their procurement outcomes closely," he says, adding that government agencies can often benchmark their procurement performance through analysis of the outcomes of their decisions, their ability to understand and control their procurement spend and by observing their ability to manage existing contracts.

Much is also being done at all levels of government to enhance the skill-sets and professional status of CPOs and their staff. In addition to the work being spearheaded by the APCC, the Australian Technology Network of Universities and the University of Canberra have coordinated a range of comparable postgraduate courses in strategic procurement.

"These courses are designed to address the skill shortage at the procurement management (level) and to enhance the professional status of the senior members of this field," Callender says.

The key result is the availability of professional-level qualifications in strategic procurement at Curtin University, Queensland University of Technology, RMIT University, University of South Australia, University of Technology Sydney and the University of Canberra.

These Masters level courses have a similar curriculum, are taught at a professional level (a level comparable to CPAs) and such qualifications will be internationally recognised. Callender says participants who complete these programs at Masters level can expect to also gain international accreditation through CIPS.

ATTRACTING TALENT

Government is generally a last choice employer for procurement professionals, according to Kling, who says that the public sector should look at providing a market loading on top of existing salaries to attract the best talent, as well as offering opportunities for real change, including higher levels of delegation and decision making for procurement professionals to make a real difference to current processes and outcomes.

"The main attractiveness to work for government is employment stability, but this does not attract young professionals, who are typically better qualified and keen to make a difference," he says.

Governments also need to change the way they allow procurement professionals to operate within the public sector environment.

"Procurement professionals are generally not attracted by bureaucratic systems, where change and new ideas are often frowned upon," he says.

"Perhaps exploring the opportunity to reward cost savings and efficiencies, such as happens in the private sector, should be considered.

"There is often a feeling that 'you do it for the love of the job', but that does perhaps not attract the best talent."

To attract the best talent, all government organisations should review their understanding of strategic procurement and its contemporary challenges, Callender states. Attracting the best talent requires a number of issues to be considered, including salary, flexible conditions, progressive procurement policies and practices, educational opportunities and actively supporting the developing status of procurement. **GN**

CASE STUDY: MANNINGHAM CITY COUNCIL

Manningham is located near the Yarra Valley on the outskirts of Melbourne. With a population of almost 120,000 residents, Manningham's City Council provides more than 100 services to residents, ratepayers, businesses and community groups across the municipality.

Tim Lawson, Manningham City Council's manager of procurement and contracts, says there will be a number of key procurement trends for local government over the coming year. These include benchmarking with other organisations on contracts, processes and templates, a drift towards regional procurement and bigger sector-wide contracts, greater emphasis on collaboration between differing councils and tiers of government, and a push towards standardisation of template tools and procedures used in the sector.

Manningham City Council has developed an internal procurement strategy, and Lawson says the main focus of the strategy is the identification of stakeholders and determining how the procurement team can communicate more effectively.

The council has also introduced e-tendering and new and improved tendering procedures and documents to streamline processes. Lawson is in the process of developing, with the council's business systems team, reports that will enable the council to extract better, more meaningful procurement data from its financial system.

Another procurement initiative the council has undertaken is the introduction of eBay for the disposal of minor assets. It is also exploring the market for a contract management system, says Lawson, who won The Individual Excellence in Procurement Award at Procurement Australia's 2010 Procurement Excellence Awards.

Developing good stakeholder communication strategies is vital for procurement professionals in local government, he says.

"The success or failure of procurement, especially in government, depends on how well your ideas, programs and structures are received by the organisation you work for," he says.

"You could have all the best systems in the world and have established whizz-bang contracts that save the organisation's money, but if no one uses them, then they are useless.

"You need to communicate constantly with the people you are buying for and continuously demonstrate to them that your processes and contracts will save them time and money.

"Remember that if you are a procurement professional, you are selling a service to the rest of the organisation."

Government departments demonstrate the enormous public sector purchasing task, says Lawson, and there is potential for procurement professionals to fast-track their procurement skills and career in this sector.

"The diversity and range of purchasing done by governments, especially at the local level, is quite difficult to fathom for procurement professionals in the private sector," he explains.

"In one day a procurement professional in government might deal with the procurement of office consumables; large plant and equipment; road maintenance; consultancy services both small and large; temporary staff hire and tree pruning.

"This list is not exhaustive and I could add many more categories.

"But what is exciting and challenging is that each category requires its own procurement strategy and has its own unique requirements and complexity.

"For a procurement officer in the private sector, who might be stuck purchasing a narrow range of categories, the diversity and complexity of government procurement could be just the challenge they are after."