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Case Study



UNIVERSITIES - NEXT GENERATION PROCUREMENT - A CASE STUDY

Background

In all organisations a significant proportion of the cost base goes to suppliers through the purchase of raw materials, goods and services. However, lowering these costs can be difficult in a higher education setting due to such factors as the autonomy of schools or faculties, purchasing low volume, highly specialised equipment and the sheer breadth of goods and services required. Even acknowledging these challenges, universities often don't procure as well as other organisations.

Our research indicates some universities lag on the core skill of Category management - which is defined as a strategic approach to procurement where organisations segment their spend into areas which contain similar or related products, enabling a focus on consolidation and efficiency.

In addition, procurement teams are often seen as a support function - called in as late as possible in the buying process - rather than as a strategic partner to optimise service levels and drive down costs.

KEY WORDS:

Higher Education
Procurement
Cost reduction
Category management
Process redesign
Desktop review

Chartered Institute of Purchasing and Supply (CIPS):

Category management provides a deeper understanding of the market, products, suppliers and the supply chain to develop strategic category plans. This deeper level of insight and mapping of the supply chain takes into account environmental, social and political factors to manage risk more effectively for the organisation."



The journey from 'buying' to 'Strategic procurement' is a tough and complex one - at one UK University, Proteus Consulting was a partner in the early stages of this journey.

What was the approach?

The programme focused on the following work streams:

- Semi-structured interviews with a representative group of academic and professional services departments; support functions (such as Estates), and Commercial operations were conducted to understand the perceived past performance of procurement
- A desk top review of full spend across the University, by amount, by type of goods or services and by department
- A review of the current supply base including spend, numbers and contracts
- A review of all procurement processes including supplier assessment and new supplier set-up, alternative purchasing processes and non-standard terms and conditions
- A review of the capabilities and culture within the team

What were the outcomes?

The work concluded with a number of recommendations, all of which were approved and some implemented immediately. The greatest change was in the introduction of a Category Management framework and structure. A strategy was developed under the responsibility of a dedicated procurement officer, for each significant category of spend. In addition:

- Key procurement processes were redesigned including the elimination of delays; reduction in gateway approvals and removal of unnecessary activities
- Actions put in place to enable earlier engagement with departmental stakeholders, to reduce 'DIY spend' and to facilitate procurement processes such as supplier identification and set-up
- Enhanced supplier management with resulting reduction in the number of suppliers
- A reorganisation of the teams to reflect the category management framework
- Implement e-procurement specialist workflows for managed categories and PCard transaction approvals.

The recommendations identified a low-case **financial saving of £3.02 million** with a more realistic **saving of £5.02 million** over 4 years. The initial improvements required minimal systems change.

The approach will drive much of the improvement in the coming years with the procurement office becoming more of a strategic function for the University.

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