

10 QUESTIONS ON PURCHASING EXCELLENCE

Question	Description	Grade
Question 1	ORGANISATION: How well is the Purchasing function structured to achieve results?	
Question 2	PROFESSIONAL DEVELOPMENT AND TRAINING: To what extent have those involved in the Purchasing process obtained the required skills and knowledge?	
Question 3	STRATEGY & TOTAL COST of OWNERSHIP: How well are the purchasing strategies and action plans defined and implemented to address the Total Cost of Ownership?	
Question 4	RISK MANAGEMENT: How well is a Purchasing Risk Assessment process implemented	
Question 5	SIX STEP SOURCING PROCESS: To what extent is a systematic process followed to assess purchasing requirements, identify opportunities and define sourcing?	
Question 6	SOURCING TECHNIQUES: To what extent have Sourcing Techniques been effectively deployed?	
Question 7	E-PURCHASING TOOLS & PROCESS: To what extent is e-purchasing implemented?	
Question 8	INTERSITE SYNERGY: How effective is cooperation with other parts of the company that purchase similar goods and services to obtain maximum value?	
Question 9	COMPLIANCE & ETHICS: To what extent are a Purchasing Policy and ethical standards defined, implemented and respected?	
Question 10	KEY PERFORMANCE INDICATORS: To what extent has a common set of measures been put in place that monitor performance and support continuous improvement?	

Question 1: Organisation: How well is the Purchasing function structured to achieve results?

Grade	Description	Evaluation
E	Purchasing does not exist as an identified function.	
D	A Purchasing organisation is identified but as part of another function (e.g. Supply-Chain, Finance). Buyers may be significantly involved in routine transactions.	
C	Purchasing exists as an independent function and reports to a Director but is not itself part of the top management team. Purchasing processes are defined and applied. Buyer's time is spent predominantly on commercial activities e.g. sourcing, improvement projects, supplier management.	
B	Purchasing is directly represented on the Board. Relevant purchasing processes are supported by other functions. The Purchasing function is key to the company financial planning process and works closely with other functions. Buyers have little routine transactional involvement.	
A	The Purchasing function regularly reports purchasing performance and projects to the Board and directly influences all significant external spend via early participation in relevant teams and projects. Internal customers have been surveyed and regard the Purchasing organization as >90% suitable to support his/her own business.	

Question 2: PROFESSIONAL DEVELOPMENT AND TRAINING: Have those involved in the Purchasing process obtained the required skills and knowledge ?		
Grade	Description	Evaluation
E	Job descriptions may exist in some cases.	
D	Current job descriptions exist and the required competencies are formally identified together with the expected education and background. A development plan is in place for each Buyer. A company appraisal system is essentially followed.	
C	The purchasing manager fully complies with the appraisal system. Buyers and above have been trained in at least five of the following areas: negotiation, basic legal aspects, ethics, e-sourcing, a systematic approach to purchasing projects, specific purchasing tools and techniques, supplier development/partnerships.	
B	Buyers and above have been trained in all seven areas listed above and also in aspects of Finance, value analysis and more advanced legal and negotiation aspects. All training is validated and documented.	
A	The future purchasing competencies, based on the purchasing strategy and tools evolution are defined; one specific training/developmental activity is in place for each buyer per year. A development plan is in place for all purchasing staff. The above skills are routinely demonstrated.	

Question 3: STRATEGY & TOTAL COST of OWNERSHIP: How well are the purchasing strategies and action plans defined and implemented to address the Total Cost of Ownership?

Grade	Description	Evaluation
E	This topic has not yet been addressed or defined.	
D	Purchasing understand the company Vision and Strategy. A spend map is formally analysed and key spend items identified. Cost reduction programs for key spend items are in place. A network with other functions on key topics is established.	
C	A Purchasing Strategy exists (formally agreed by the company management) based on supporting the company Vision & Strategy, covering min. two-thirds of spend. Selected key suppliers are informed, involved and are contributing to the site purchasing strategy (min. 3). Purchasing participates in multifunctional teams. An action plan exists to reach level 4 within 2 years.	
B	Multifunctional activities are targeting Total Cost of Ownership (TCO) savings and more than 25% of the savings are non-price related. Purchasing is a major player in the company business plan. Other functions demonstrate knowledge of the purchasing strategy and can point to how they have actively supported it (min. 5 examples). Strategy is > 75% implemented and suppliers have contributed to it. Continuous improvement teams are in place based on agreed Key Performance Indicators.	
A	Purchasing strategy is fully implemented and targets TCO covering Quality, Price, Yield Losses, Service and Risk. Projects can be identified that in the last 12 months have in total delivered each of these benefits (non price benefits >33% of total). Further action plans targeting TCO are in place for the following 2 years. Savings have been shared with more than one supplier in last two years. TCO has been calculated for the top 5 spend items or 40% of spend.	

Question 4: RISK MANAGEMENT: How well is a Purchasing Risk Assessment process implemented ?

Grade	Level Description:	Evaluation
E	This topic has not yet been addressed or defined by the Purchasing function.	
D	The scope of the Risk Assessment (RA) has been defined and has been documented for 50% of the relevant items. First areas for improvements are defined and agreed in cooperation with the company management. No detailed action is plan available or carried out so far.	
C	RA has been done for 100% of the relevant items, among other factors considered is single sourcing. All areas for improvement are defined and agreed in cooperation with company management. A detailed action plan is in place. First actions have been carried out (up to 40%). Supplier quality and performance issues are shared between different parts of the company and annual reviews are held with key suppliers.	
B	The implementation of the action plan is progressing well. Up to 80% of the action items have been completed. In addition to risks related to supply interruption, risks related to other factors have been taken into account (financial, reputation...) RA has been shared with the Board.	
A	Action plan has been carried out by more than 80%. RA is an integral part of the strategic sourcing strategy.	

Question 5: THE SOURCING PROCESS: To what extent is a systematic process followed to assess purchasing requirements, identify opportunities and define sourcing?

Grade	Description	Evaluation
E	This topic has not yet been addressed or defined.	
D	Purchasing understand the nature and need for a systematic sourcing approach. The process is formally analyzed and key spend items are identified with cost reduction programs in place.	
C	A Purchasing Strategic Sourcing Strategy exists (agreed by the Board) based on the Company Vision and Strategy, covering at least 25% of spend by value.	
B	Multifunctional activities are targeting Total Cost of Ownership savings. Other functions can demonstrate knowledge of the sourcing strategy and point to how they have actively supported it. >50% adopted.	
A	The Sourcing Process is fully adhered to and this is demonstrated via documentation. Purchasing acts (and is in demand) as a focal point for achieving quality, price, conversion losses, service and risk management benefits.	

Question 6: SOURCING TECHNIQUES: To what extent have these tools been effectively deployed?

Levels:	Level Description:	Evaluation
Level 0	Occasionally purchasing uses a traditional negotiation tool but has little or no knowledge of other sourcing techniques.	
Level 1	On a regular basis the purchasers use the negotiation tool and have had training in the other sourcing tools.	
Level 2	The range of tools are partially deployed.	
Level 3	The tools are always appropriately used for strategic sourcing.	
Level 4	The tools are used with demonstrated success and by more than just purchasing staff.	

Question 7: E-PURCHASING TOOLS & PROCESS: To what extent is e-purchasing used?		
Grade	Description	Evaluation
E	E-purchasing tools (such as e-RFX, e-Auctions, e-Catalogues) are not used.	
D	E-purchasing tools are partially known and used. All the purchasers are not yet trained in their use.	
C	E-tools are implemented and used for some spend areas. Purchasing staff are trained in their use. Strategic purchasing projects are achieved through these e-tools.	
B	Clear targets in terms of turnover and savings have been defined. KPIs include e-purchasing. All spend items > £75k are put through the tools.	
A	e-purchasing tools are routinely used as a fundamental part of the purchasing strategy and the corresponding action plan enlarges and defines the scope, turnover and savings targets. Sourcing tools are used by other functions in conjunction with purchasing.	

Question 8: INTERSITE SYNERGY: How effective is cooperation with other parts of the company that purchase similar goods and services to obtain maximum value?

Grade	Description	Evaluation
E	Managed with little reference to other parts, < 3 examples in last year of joint activities contributing <10% total savings.	
D	The Company Spend Map has been used to identify potential synergies. The main contacts are known: sites, Buyers, Category Managers : > 2 examples of interesting joint initiatives are undertaken that target > 10% of total site savings.	
C	The degree of commonality with others is identified for the top ten spend items and inter-site cooperation is the norm. Such common activities account for >25% of total site savings.	
B	Site can demonstrate a systematic and natural leverage with others. Site personnel are members of a minimum of 3 active and recognized inter-site teams and lead one of them. Savings from such account for >35% of site total and >1% of spend. Examples of the benefits of these activities are presented to the Board.	
A	Leveraging throughout the company and others outside the group, e.g. suppliers. Have led or initiated 2 joint initiatives in the last 12 months; > 45% of site purchasing savings come from joint activities and > 2% of site spend is saved. Can identify > 6 examples of ideas learnt externally that have been applied to your benefit and > 2 where others have benefited from your ideas and experiences.	

Question 9: COMPLIANCE & ETHICS: To what extent are a Purchasing Policy and Ethical Standards defined, implemented and respected?

Grade	Level Description:	Evaluation
E	Purchasing procedures may exist and partially cover the purchasing process, however, they are not enforced. There is little understanding of ethical principles in Purchasing.	
D	Purchasing procedures formally exist. They are well known by Purchasing but not by other key managers & users. The systems do not fully support the application of the procedures. There is a basic understanding of ethics in Purchasing	
C	Purchasing procedures are well enforced by the purchasing dept. They fully cover the purchasing process. The systems support the application of the procedures with only minor deviation.	
B	Purchasing procedures are endorsed by budget holders and also by users that directly interface with suppliers. The systems fully support the application of the procedures and there is a high understanding of the different ethical matters related to Purchasing.	
A	There is a defined procedure for referring issues and questions on these topics to senior managers.	

Question 10: Key Performance Indicators (KPIs): To what extent has a common set of measures been put in place that monitor performance and support continuous improvement?

Grade	Description	Evaluation
E	This topic has not been addressed or defined by purchasing.	
D	Purchase Price Variance is managed by Finance with input from Purchasing; other KPIs also exist for the internal purchasing process and have set targets. Purchasing savings are tracked and managed by Purchasing, supported by Finance. External KPI's are initially scoped and agreed with other functions, including the identification of the key suppliers to be measured.	
C	Specific measurement criteria are agreed and company management buy in has been obtained; an implementation of a Supplier Performance Measurement System has taken place.	
B	Concept has been shared and bought into by key Suppliers. System enables reciprocal (i.e. two-way) performance reporting. Data is published quarterly and is used to assist with the monitoring of Continuous Improvement initiatives. Such data is presented to the Board from time to time.	
A	Supplier Measurement is considered a key operational business measure and is used as a tool with key Suppliers at Business Review Meetings to assist with the identification and monitoring of Continuous Improvement. KPI needs are reviewed yearly. Such data is reported to the Board at least quarterly.	

HOW DID YOU DO?

E = O dear! But the good news is that you have MAJOR opportunities to improve your Purchasing function and with it, reduce costs.

D = Not great but could be worse; many companies are hereabouts. You have great potential to improve performance!

C = Quite good but could do better (sounds like school!)

B = Very good

A = EXCELLENT! Keep it up!

The above is only a guide; its objective was to get you thinking about how you could improve the results that you are getting from your Purchasing function.

Next Steps

Why not email us your results as a first step towards improving your Purchasing capabilities? Simply complete the form on the Health Check Diagnostic webpage and press "Submit". We will then make contact to discuss the findings with you, and perhaps support you in achieving significant profit improvement.

Alternatively, contact us directly either by telephone (**0845 555 3344**) or by email (**info@buyingsupport.co.uk**).