

The survey on the current state of Procurement Practice & Development in Organisations across Africa

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I. EXECUTIVE SUMMARY

Today's organisations manage Procurement within an increasingly complex environment driven by regulatory changes and organisational restructuring. New product development, post-deal integration, outsourcing and policy implementation, in addition to traditional, but vital, system development and implementation, are amongst the current key Procurement initiatives organisations must manage. In fact, it's difficult to imagine an organisation that is not engaged in some type of procurement activity. The ability to successfully execute these procurements is what drives the realisation of intended benefits and the achievement of business strategies.

Organisations that execute procurement successfully employ effective procurement management practices as a tool to drive change and achieve the business objectives. Given the strategic impact that procurements have on a business, organisations must follow effective procurement management processes that measure progress and risks and ensure the right procurements can be delivered in alignment with organisational priorities. This document summarizes the results from a survey on the current state of procurement management maturity in organisations across the Africa.

The main objective of the survey was to identify current trends in procurement management and pinpoint out the characteristics of procurement management that are applied in higher-performing procurements. The researchers gathered participants' views on how well organisations succeed in the field of procurement management, and also analyzed how the subjects (companies) are structured and how they operate in four areas namely:

- (i) Procurement management processes,
- (ii) Their overall organisation,
- (iii) Employees' education in procurement management and
- (iv) The use of procurement management systems.

The researchers observed the following trends and common practices (which may or may not be leading practices) based on the survey findings and subsequently, a detailed analysis is as follows:

- (i) Stakeholder's satisfaction, timely delivery and operating within budget topped the list of measures that indicate procurement's success.
- (ii) Unsuccessful procurements are more often linked to internal factors such as missed deadlines, insufficient resources, compared to external factors which include change in environment and change in strategy.
- (iii) The existence of staff development programme positively impacts procurement performance.
- (iv) Procurement management certification and procurement performance are clearly connected.
- (v) Uses of procurement management methodologies are widespread. Organisations that do not have a procurement management methodology reported lower performing procurements.
- (vi) Use of procurement management software positively impacts procurement performance, however, reporting for key procurement elements are often generated outside of the software.
- (vii) The focus on building portfolio management capabilities is on the rise.
- (viii) Most organisations employ a procurement management office function that is primarily used for back-office activities (thus reporting, procurement administration, compliance).

Throughout the survey, the researchers observed differences according to geography and industry, and also noticed that the majority of companies recognise the need to move to a higher level of procurement management maturity. Organisations that fully understand and leverage the procurement management elements described in this report have a higher propensity to achieve procurement success

A. Processes

Procurement management is essentially a systematic and organised set of repeatable processes that bring order and efficiency to the execution of procurement. Effective procurement management is characterised by the application of knowledge, skills, tools and techniques to achieve procurement objectives.

Therefore, the existence of well-defined procurement management processes often grouped into a procurement management methodology differentiates companies that are able to consistently deliver superior procurement results.

The components of procurement management processes considered in the survey include:

- (i) Standardization and institutionalisation of procurement management processes,
- (ii) Integration with other corporate processes (e .g, procurement, strategic planning),
- (iii) Prioritization of procurements and application of a standard procurement lifecycle,
- (iv) Utilization of procurement portfolio techniques, and continuous improvement.

B. Organisational Structure

An organisation's operating framework is fundamental to its procurement management performance. More often than not, management underestimates or completely ignores this element because organisations have not adapted themselves to new organisational structures as quickly as the business has evolved.

The aspects of organisational structure considered in this set of survey questions include: resource ownership (mainly staff and budgets), definition of clear roles and responsibilities, support and involvement of senior and top management, and the availability of a Procurement/ Programme Management Office.

C. People

Teamwork is an integral component of procurement management; therefore, the ability to manage people is an essential skill for procurement managers. When it comes to procurement success, procurement or programme managers carry a great deal of the responsibility, but success is also dependent on the performance of others who are in key procurement roles (e .g ., procurement team members, procurement sponsors, customers and stakeholders) . Therefore, well-developed people management skills are fundamental to a high procurement management maturity level. The people aspects considered in the survey include: procurement manager skills, development and training programmes, organisational culture, motivation and incentives, and career opportunities for procurement managers.

D. Systems and Tools

Organizations purchase and create systems and tools to automate and support their procurement management processes. But oftentimes, a great deal of money is spent on systems that are subsequently not used. The aspects considered in this set of questions include: availability of company-wide software, software used and areas reported on (i .e., programme and procurement management, capacity management, cost tracking, benefit realisation) .

II. METHODOLOGY

The survey was conducted in 2015 with participation from 2014 respondents representing companies from 8 countries in Africa. The survey group comprised companies of various sizes, sectors and business structures (subsidiaries, headquarters, etc.). Most of the study participants were top management, senior management and procurement managers. The data was gathered via a web based quantitative survey that consisted of 66 closed questions.

The survey results give us insight into the collective opinions of the participants on a wide range of key topics, e.g., procurement types, failure factors, tools, people aspects and leading practices. In addition to group opinions and key trends, we calculated and used two essential indexes for the analysis: maturity level and procurement management performance.

Maturity level was calculated based on the combined answers to 33 survey questions. The procurement management performance percentage was computed by aggregating elements of individual performance measured as a percentage of procurements delivered on time, within budget, within scope, and to expected business benefits. The outcome is a percentage that tells us when performance is highest (closer to 100%) and lowest (closer to 0%).

To assess the maturity levels of respondents, we used a maturity model that is in alignment with the Project Management Institute's (PMI) Process Maturity Model and consists of the following five levels:

A. Unreliable processes

Sporadic, ad hoc use of procurement management. Formal documentation and the knowledge of the standards of procurement management are lacking. No training. Little organisational support. Some attempts to develop basic procurement management procedures.

B. Informal processes

A formally approved procurement management methodology is lacking. Basic processes are used, but are not standard or documented on all procurements. Procurement managers inform team members about procurement management standards, but they do not apply these standards appropriately. Lessons learned are not gathered.

C. Standardised processes

A procurement management methodology is developed, approved and used. Procurement participants are informed about procurement management standards. Data trends are collected and shared. Most procurement are implemented using these standards. Management supports the use of standards. Focus is on individual procurements.

D. Monitored processes

An integrated procurement lifecycle methodology is used. Application of the standard set is defined, monitored and fixed for all procurements. Procurements support the strategic plan. Procurement benefits are tracked. Internal training is in place. The organisation can conduct and control multiple procurements.

E. Optimised processes

A regular analysis and renewal of the existing procurement management methodology is conducted. Lessons-learned files are created. Knowledge is transferred. A process is in place to improve procurement performance. Management focuses on continuous improvement.

The analysis of the survey results includes research on procurement management theories developed by PricewaterhouseCoopers. Additionally, Researchers decades of procurement and programme management experience complemented the analysis.

III. KEY FINDINGS

A. Procurement management is closely linked to procurement performance.

Stakeholder satisfaction, timely delivery and staying within budget top the list of measures that indicate successful procurements. Unsuccessful procurements are more often linked to internal versus external procurement factors; bad estimates/missed deadlines, scope changes and insufficient resources comprise 50% of the reasons for procurement failure.

B. Investing in staff development can pay off.

Staff development programmes have the greatest impact on procurement performance when they are used on a regular basis. 43% of respondents always or often use these programmes.

C. Procurement management certification has links to high-performing procurements managers.

Higher-performing procurements are significantly more likely to be staffed with certified procurement managers from Chartered Institute of Purchasing & Supply Chain (CIPS). In fact, 80% of procurements classified as high-performing use a certified procurement manager from CIPS Certification.

D. Performance Indication between Certified Procurement CIPS & Uncertified Procurement Manager

It was indicated in the findings that 80% of good performing managers in the top class organization are people who are certified by CIPS UK and the employment opportunities for procurement staff are normally occupied by the certified procurement staff trained and certified by CIPS UK. World Bank Procurement Staff recruitment Report stated clearly that World Bank recruit 80% of the company recruitment of procurement staff are certified trained people from CIPS UK, and it is part of their recruitment requirement for procurement staffs to be certified by CIPS

E. Using a procurement management methodology increases the likelihood of higher-performing procurements.

The use of procurement management methodologies is widespread; 77% of respondents have a documented, company-wide procurement management methodology. However, opportunities exist to strengthen components of existing methodologies. Organisations that do not have a procurement management methodology reported lower-performing procurements.

F. A positive correlation exists between procurement management software and procurement performance.

The use of procurement management software is commonplace, and for good reason it is linked to high-performing procurements. 77% of companies use procurement management software.

G. Overall, procurement reporting improvements are needed.

While procurement management software is routinely leveraged for reporting, it is seldom used for the most common of all reports cost reporting. Only 23% of cost reporting is generated from procurement management software.

H. Portfolio management is of significant value.

The focus on building portfolio management capability is on the rise; 53% of respondents have a portfolio management process, an increase of 7% over the 2004 survey.

I. Procurement Management Offices (PMOs) perform back-office/coordination functions.

Of the surveyed organisations, 80% of respondents have a dedicated Procurement Management Office.

i. Procurement Performance

Stakeholder satisfaction, timely delivery and staying within budget top the list of measures that indicate successful procurements. Unsuccessful procurements are more often linked to internal versus external procurement factors; bad estimates/missed deadlines, scope changes and insufficient resources comprise 50% of the reasons for procurement failure.

J. Some components of procurement management linked to procurement failures

When it comes to procurement performance, organisations use a variety of factors to determine whether a procurement has achieved a successful outcome. The survey results showed that 20% determine procurement success based on the satisfaction of their stakeholders, 19% on on-time delivery, 18% on budget, 17% on the delivery of benefits, 15% on quality, 9% on acceptable ROI and 2% on other factors.

Leading-practice companies determine whether procurement is successful based on whether it achieves benefits that are in line with strategic objectives, and establish mechanisms to track progress along the way. While much procurement reaches successful outcomes, it is also a reality that some procurements fail to do so.

The researchers discovered that over 60% of procurement failures are linked to internal procurement issues (e.g., missed deadlines, insufficient resources). In fact, the top three reasons for procurement failure bad estimates/missed

deadlines, scope changes and insufficient resources are internal procurement factors. It is notable that these three categories alone comprise 50% of the reasons for procurement failure.

But while procurement failure is more frequently correlated to factors internal to procurement, the underlying question is: What degree of influence do procurement managers have over external factors to prevent procurement failure? An effective procurement management function, comprised of people with the right skills who are armed with the right techniques, can often minimise the risk of failure attributed to external factors.

For example, a change in company strategy can be detected and remedied early in procurement if there is clear alignment between strategy, goals and an implementation plan. It is arguable that regardless of whether the risk of failures is internal or external to procurement, a well-equipped procurement management function possesses the capabilities to anticipate and navigate through the hurdles that may arise during the course of procurement.

ii. Staff Development and Procurement Performance (CIPS Training Programs Certification)

Staff development programmes have the greatest impact on procurement performance when they are used on a regular basis. 43% of respondents always or often use CIPS Training and Certification programmes. Staff development programmes impact procurement performance utilisation within companies is slowly rising.

The survey participants were asked whether they use staff development programmes to continually build procurement management capabilities. As shown in Pie Chart only 8% of companies always utilise a development programme, unchanged from the 2004 survey. And 35% of companies indicate that they often utilise development programmes, up 5% from 2004. While it seems logical that offering development programmes would lead to higher procurement performance, we examined the correlation to see if this was indeed the case.

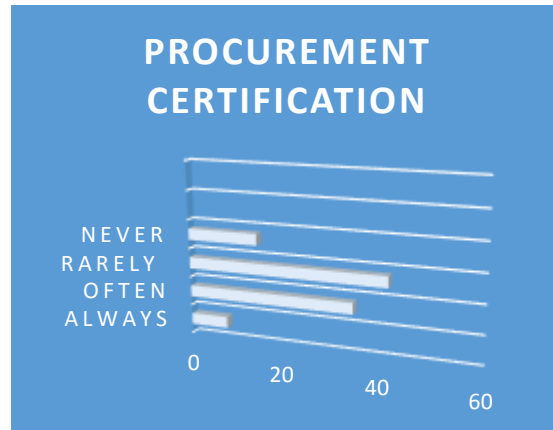


Figure illustrates the usage rate of staff development programmes across four categories: always, often, rarely and never. Staff development programmes have the greatest impact on procurement performance when they are ‘always’ used. When this is the case, the gap between high-performing and low-performing procurements is the widest, at 20%. When development programmes are ‘rarely’ or ‘never’ used, there is a higher occurrence of low-performing procurements.

iii. Procurement Certification

Higher-performing procurements are significantly more likely to be staffed with certified procurement managers. In fact, 80% of procurements classified as high-performing use a certified procurement manager. Procurement management certification, slowly rising, links to procurement performance. Since 2004, the rate of procurement management certification has risen modestly in 2004, 73% of respondents’ procurement managers held certifications compared to 77% in the current survey.

However, when we examine the type of certification that procurement managers hold (Figure), we see a clear shift away from company internal certification. In 2004, 22% of procurement management certification was company internal certification; in the current survey, company internal certification dropped to only 10%. But if overall certification is on the rise, what has replaced company internal certification? The answer is Chartered Institute of Purchasing & Supply (CIPS) certifications. The percentage of procurement managers from respondent companies with CIPS nearly doubled from 24% in 2004 to 46% in the current survey.



Next, we examined whether there is a correlation between procurement management certification and procurement performance. We found that higher-performing procurements are significantly more likely to be staffed with certified procurement managers. In fact, 80% of procurements classified as high-performing use a certified procurement manager. Figure shows a clear trend towards higher performance for procurements that engage a certified procurement manager. Those organisations with a high maturity level are more likely to have certified procurement managers. Figure 6 illustrates that organisations with the highest maturity level have a certification rate of 95% compared to 61% for organisations that have the lowest maturity level.

iv. Procurement Management Methodologies

The use of procurement management methodologies is widespread; 77% of respondents have a documented, company-wide procurement management methodology. However, opportunities exist to strengthen components of existing methodologies. Organisations that do not have a procurement management methodology reported lower performing procurements. In-house-developed procurement management methodologies are the most common.

As stated most organisations (77%) have a documented, company-wide procurement management methodology. But unlike procurement management certification, which has seen a trend towards leveraging external programmes, the greatest percentage of procurement management methodologies (39%) is developed in-house. Following in-house-developed methodology, the second most common is the Chartered Institute of Purchasing & Supply (CIPS); A Guide to the Procurement Management Body of Knowledge (CIPS Guide) (38%).

Regardless of whether the methodology is internally developed or leveraged from an external source, almost all include methods to manage similar components, such as scope, time, cost, quality, communications, human resources, procurement and procurement integration. Of those organisations that use a procurement management methodology (77%), only 29% use it on 100% of procurements, while 40% use it on at least 75% of procurements. The 69% of respondents who use a methodology at least 75% of the time reported a lower procurement failure rate.

However, of the 23% of respondents who did not have a procurement management methodology, 53% of procurements were lower-performing; suggesting that adoption of a methodology could improve procurement performance. It is interesting to note that methodologies commonly exist to address resource and scope management

two of the top three reasons that procurements fail further indicating an opportunity to improve the execution of procurement management methodologies. While it is unknown if methodology improvement is the primary driver, 70% of the organisations surveyed report that they have a company-wide initiative to improve procurement management practices.

v. Procurement Management Software

The use of procurement management software is commonplace, and for good reason it is linked to high-performing procurements. 77% of companies use procurement management software. Procurement management software use is linked to high-performing procurement performance. We asked participants if they use company-wide procurement management software to manage and monitor their procurements. The researchers found the use of software to be prevalent, 77% of companies use procurement management software, while 23% do not. Software tools are most commonly used to manage single procurements versus multiple procurements or programmes. As shown in Figure 9, Microsoft Procurement© is used more than any other brand of software. In fact, at 45%, Microsoft Procurement© outpaces the second most commonly used software in-house-developed by more than 200%.

The 2004 study showed a direct correlation between procurement management software usage and procurement performance. We see similar results in the current survey findings: among the highest performing procurements, we found that 87% use procurement management software, while only 13% do not. There is also a strong correlation between software use and an organisation's maturity level. More mature organisations are significantly more likely to use procurement management software: 95% of organisations within the highest maturity category use procurement management software, compared to only 55% within the lowest maturity category.

vi. Procurement Management Software Usage and Reporting Capabilities

While procurement management software is routinely leveraged for reporting, it is seldom used for the most common of all reports cost reporting. Only 23% of cost reporting is generated from procurement management software. Common management procurement reports are not consistently generated from procurement management software. We asked participants which components or functions of procurement management software were used. Resources and milestones are the most used functions of procurement management software; however, procurement management software is not being used to its full potential. We also asked participants which procurement management areas were covered through regular reporting. Cost and issues and risks are the most commonly reported areas.

It is interesting to note that when crossing software functionality used by participants with procurement management areas covered in reports, not all reports are derived from procurement management software. In fact, data suggests that the most frequently reported area of procurement management, cost reporting, is primarily performed outside of procurement management software. This is perhaps due to the functionality of cost reports produced by procurement management software tools or the familiarity procurement management software tool users have with traditional reporting tools, such as spreadsheets.

vii. Procurement Portfolio Management

The focus on building portfolio management capability is on the rise; 53% of respondents have a portfolio management process, an increase of 7% over the 2004 survey.

K. Portfolio management is of significant value

According to the World Bank, make it clear that CIPS is a Guide to the Procurement Management Body of Knowledge; portfolio management is the centralised management of one or more portfolios, which includes identifying; prioritising; authorising; managing; and controlling procurements, programmes and other related work, to achieve specific strategic business objectives.

At 53%, approximately half of the survey participants have a portfolio management process, a 7% increase from 2004. The portfolio management capability that organisations leverage the most common is procurement selection management, followed closely by portfolio prioritisation management. To understand the procurement selection process, we asked participants what criteria they use to select and prioritise procurements. As shown in Figure 14, the

top three criteria are strategic alignment (18%), expected benefits (14%) and ROI (14%). Data supports the rationale to use portfolio management techniques to ensure spending is in line with strategy, and to choose procurements that will have the greatest impact on the business and a strong return on investment.

IV. CONCLUSION

As organisations increasingly leverage procurement management as a method to achieve critical business objectives, effective procurement management practices are more than ever vital to a company's success. Realising the role that procurement management plays in the successful execution of business strategies, senior management continues to support key initiatives, such as CIPS certification, CIPS development programmes and portfolio management capabilities. Certainly, there are many opportunities to improve existing procurement management practices to meet the ever-growing demands of the business landscape. We feel that procurement management will continue to evolve, mature and stake its claim as a strategic imperative for successful organisations by complying with the Chartered Institute of Purchasing & Supply (CIPS) Practices.

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