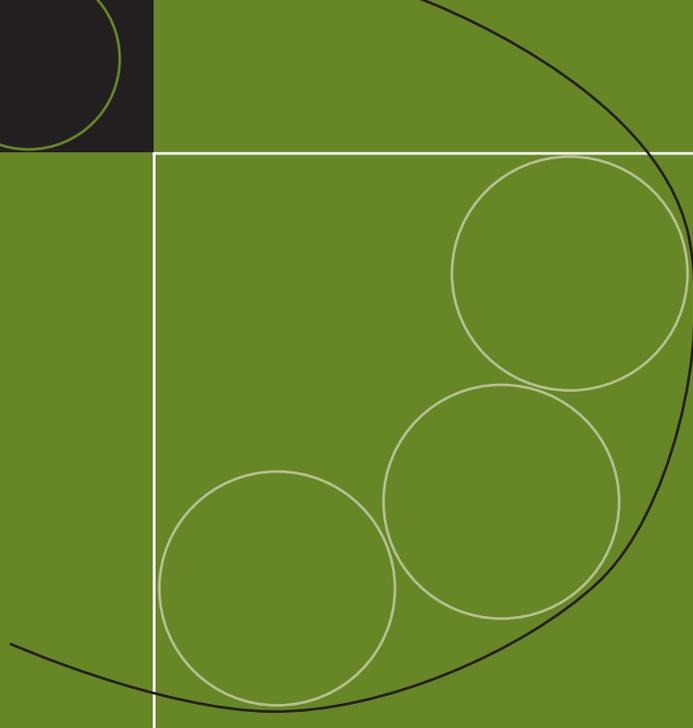


Australian Procurement and Construction Council

DEVELOPING THE GOVERNMENT PROCUREMENT PROFESSION





Australian Procurement and Construction Council

Developing the Government Procurement Professional, November 2006

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FOREWORD

Developing the Government Procurement Profession

Procurement is a profession with a large body of knowledge and the environment within which practitioners work is diverse, complex and fragmented. Delivery of better quality procurement outcomes requires investment in the enhancement of skills and professionalism of procurement officers.

The Australian Procurement and Construction Council (APCC) has drafted the *Developing the Government Procurement Profession* (hereafter referred to as the Guide) which defines the characteristics required of those government professionals charged with delivering value for money improvements and provides the vision for building procurement capacity nationally. The Guide is an aspiration for building government professional procurement workforces now and into the future.

Goods and services procurement (including ICT) is clearly a key strategic management function that should be managed and directed by professionals. On an individual basis, research indicates that goods and services procurement can account for approximately two-thirds of a government's non-human resource spending. The collective spend on goods, services and construction across all Australian governments is approximately \$100 billion annually.

Until now, procurement professionalism in Australia has not been clearly recognised or defined. Public procurement too often is undertaken without professional support which results in sub-optimal value for money decisions and unnecessary high prices being paid for goods and services. This Guide addresses these issues by aiming to raise the profile of procurement and the capacity of those who work within the profession.

The Guide recognises that progression through levels of procurement professionalism is associated with increasing levels of procurement complexity, risk, managerial responsibility and leadership. Inspiring individuals to a professional career path in government procurement will be planned through three major pathways – graduate recruitment; lateral recruitment via alternate professions in both the private and public sectors; and development of mainstream procurement practitioners.

The characteristics of the procurement professional will be mutually recognised across Australia by APCC members and are consistent with those in the private sector and those developed internationally.

New South Wales recognises procurement as a strategic cost management function, requiring high level leadership, effective planning, innovative sourcing, active contract management and continuous process improvement.

The NSW Government spends around \$19 billion annually on procurement of goods, services, ICT and construction. Government procurement achievements include an extensive range of whole-of-government contracts, realising \$464 million savings in 2005-06, establishing electronic tendering and electronic procurement system (smartbuy®), and the Strategic Sourcing program.

Recent reforms will release more money for front-line services: patient care, emergency and community services and police operations.

- People First – A new direction for ICT in NSW sets the strategic framework for a coordinated, government-wide approach to ICT planning, expenditure and resource allocation. The Plan contains the costs of delivering new e-government services within current levels of ICT expenditure, targeting savings of \$565 million over 4 years.
- Introduction of an agency accreditation scheme for goods and services to improve procurement practices and outcomes. Savings for this and other initiatives will exceed \$250 million over 4 years.

To sustain the Government's ability to deliver procurement reform, there is a need to attract and retain procurement professionals and raise their professional status. Achieving professional standing requires a combination of workplace experience, capability training, pathways to tertiary education, and a clear appreciation of the need for ongoing applied learning and professional development.

TYPES OF GOVERNMENT BUYERS

Government buyers are defined at three levels:

Transactional Buyers – defined as individuals who undertake procurement and exercise purchasing responsibilities for easily secured goods and services at low values, and for low risk purchases. The purchases are from already negotiated contracts or from simple single use agreements for low-level sourcing that they establish themselves. Buyers may be junior administrative officers who undertake low value buying through to senior executives who are the prime value for money decision maker for major procurement projects.

Procurement Practitioners – defined as individuals who specialise in procurement as a dedicated function of their position. They are typically qualified between AQF Certificate IV and Advanced Diploma Levels in procurement. Procurement practitioners are highly skilled and experienced in facilitating the process of procurement. Practitioners may manage simple contracts and participate in major procurements under the direction and supervision of procurement professionals.

Procurement Professionals – defined as individuals who specialise in strategic procurement as the only function or as the major function of their position who are typically qualified with university level graduate studies in strategic procurement. Procurement professionals are generally involved in tactical and strategic projects, exercise responsibilities for high level value and risk procurements, leads project teams in the development and management of complex procurements and are responsible for the formation, management and development of procurement teams and individual officers.

The Guide overviews the characteristics of the government procurement professional and the main entry pathways into the business of government professional procurement.

Victoria has introduced Strategic Sourcing principles to Victorian public sector procurement which is changing the role procurement officials play in seeking value for money contracts.

Each year Victorian Government departments spend over \$2.5 billion on a variety of goods and services from the private sector. The Victorian Government has introduced Strategic Sourcing for high value goods and services procurement. This new approach sees application of a more strategic approach to business case analysis, market engagement, process integrity and project management. The application of category management principles has led to the establishment of working relationships between Government and suppliers to extract maximum value for both parties over the life of the contract.

Already this approach is delivering savings to Government with anticipated benefits of approximately \$44 million per annum to be achieved through strategic contracting and category management in three years.

The application of Strategic Sourcing requires a higher level of skills and attributes from procurement officials. Development of a Standard for the procurement professional is both timely and important in the context of Victoria's procurement reform agenda.

GOVERNMENT PROCUREMENT PROFESSIONALS

The characteristics of the *Government Procurement Professional* are defined at four levels, commencing with the entry level ‘*Procurement Professional*’ and developing through to the ‘*Chief Procurement Officer*’.

Progression through the four levels is associated with increasing levels of procurement complexity and risk, managerial responsibility and leadership.

Characteristics are defined in terms of Role, Management & Leadership Responsibility, Decision Making, Accountability, Supervision Received, Public Sector Context and Personal Attributes. The figure below provides an overview of the characteristics at the four Levels. Also included in the figure are the major pathways into the profession.

- **University Graduate**
- *Procurement Major*
- *Other Discipline Major*
- **Lateral Professional Recruitment**
- *Procurement professional from the private sector*
- *Professional in a non-procurement discipline from the public sector*
- *Professional in a non-procurement discipline from the private sector*
- **Mainstream Practitioners**
- *Government Procurement Practitioner*

| Procurement Professional | Advanced Procurement Professional | Principal Procurement Professional | Chief Procurement Officer |
|---|--|---|--|
| <p>Entry level professional who's prime function is procurement</p> <p>Typically has responsibility for low to medium value & risk procurement</p> <p>Participates in major procurements under supervision of Advanced Procurement Professional</p> <p>Typically operationally focussed</p> <p>Typically supervises practitioners & support staff</p> | <p>Prime function is procurement, managing one or more professionals</p> <p>Typically has responsibility for medium value & risk procurement</p> <p>Manages major procurements under direction of a Principal Procurement Professional</p> <p>Typically tactically focussed</p> <p>Mentors & coaches procurement professionals & practitioners</p> | <p>Prime function is procurement, leading one or more procurement teams</p> <p>Typically has responsibility for high value & risk procurement</p> <p>Leads teams in complex procurement & develops procurement capacity</p> <p>Typically strategically focussed</p> <p>Leads innovations within procurement</p> <p>Influences government procurement strategy</p> | <p>Prime function is shaping & leading procurement strategy</p> <p>Typically has responsibility for the highest level of government procurement</p> <p>Typically has reporting responsibility to the CEO</p> <p>Strategically focussed</p> <p>Accountable for achieving government procurement outcomes</p> <p>Shapes government procurement strategy & policy</p> |

Queensland has recognised procurement as a strategic value adding business function since the introduction of its innovative State Purchasing Policy in 2000, which requires the development of procurement strategies for each category of spend. With a combined spend of around \$16 billion on goods, services and capital works, Queensland has promoted the importance of developing a strong procurement capability in the sector to obtain value for money and to manage the risk and complexity of procurement and the marketplace.

Initiatives which strengthen our procurement capability have included:

- the Training and Certification Program which offers a pathway for progressive professional skills development through to tertiary qualifications;
- a Procurement Professional Graduate Development Program which recruits business graduates for an intensive program of training and mentoring;
- development of a tool to assist agency's to review their procurement capability and performance against industry benchmarks;
- publication of a range of comprehensive guides on procurement practice; and
- trial of a new contract management system.

An example of where innovative procurement has secured recurrent savings of greater than 20% per annum is in the area of air travel. Additional savings of \$25 million over five years will be realised with the coming Travel Management System, which will further reduce transaction costs and improve management information.

The growth of professional procurement capability will continue to be a priority as Queensland enters its second wave of procurement reform. Attracting, retaining and developing a workforce with expert skills in spend analysis, market analysis, category management, contract management and negotiation will lead the way to further procurement improvements for the State of Queensland.

PROCUREMENT PROFESSIONAL

The characteristics of the *Procurement Professional* include:

| | |
|---|--|
| Role | First level of professional. A fully qualified procurement professional responsible for procurement assignments. Has working knowledge with procurement systems, policy & procedures. |
| Management and Leadership Responsibility | Typically supervises procurement practitioners & support staff. |
| Decision Making | Typically would not have responsibilities other than for operational procurements. |
| Accountability | Typically accountable for low to medium value & risk procurements or discrete deliverables within high value & risk procurements. |
| Supervision Received | Typically activities are assigned by Advanced Procurement Professional & reviewed through the individual's performance management plan. |
| Public Sector Context | Understands the business & machinery of government. Demonstrates political awareness. Demonstrates working knowledge of strategy, policy & legislation. |
| Personal Attributes | Behaves as a procurement professional and articulates procurement outcomes. 8 units of graduate diploma level studies in Strategic Procurement or equivalent, such as eligibility for MCIPS. 3 years relevant procurement experience with capacity to manage stakeholder relationships. Behaves in accordance with codes of ethics and conduct. |

South Australia recognises the importance of good procurement practice in the achievement of the strategic priorities and objectives of the Government.

South Australia's State Procurement Act 2004 requires the public sector, through the State Procurement Board, to establish a system of procurement that advances government priorities and objectives and that:

- achieves value for money in the expenditure of public money;
- provides for ethical and fair treatment of participants; and
- ensures probity, accountability and transparency in procurement operations.

The link between government strategic procurement and agency success is an important driver in the recognition of the profession. Government strategic procurement is an important step in the achievement of the objectives of South Australian State Strategic Plan.

In building the capability of the profession South Australia is seeking to ensure that procurement supports Government priorities and objectives in areas such as:

- occupational health and safety;
- industrial relations; and
- the greening of Government operations.

ADVANCED PROCUREMENT PROFESSIONAL

The characteristics of the *Advanced Procurement Professional* include:

| | |
|---|---|
| Role | <p>Manages one or more procurement professionals.</p> <p>Fully competent with procurement systems, policy & procedures.</p> |
| Management and Leadership Responsibility | <p>Typically supervises procurement professionals, procurement practitioners & support staff.</p> <p>Mentors & coaches procurement professionals & practitioners.</p> |
| Decision Making | <p>Typically has responsibility to commit for low to medium value & risk projects.</p> <p>Makes recommendations to Principal Procurement Professional for discrete elements of high value & risk projects.</p> |
| Accountability | <p>Typically accountable for delivery of medium value & risk procurement projects & deliverables within high value & risk procurements.</p> <p>Accountable for direct reports.</p> |
| Supervision Received | <p>Typically activities are assigned by the Principal Procurement Professional in terms of organisational objectives.</p> <p>Undertakes activities with minimal supervision.</p> |
| Public Sector Context | <p>Operates & contributes to policy at the tactical level.</p> <p>Contributes to public procurement policy typically preparing Ministerial level submissions.</p> |
| Personal Attributes | <p>Articulates procurement outcomes.</p> <p>Contributes to the procurement body of knowledge.</p> <p>Typically would pursue higher awards of graduate study in Strategic Procurement.</p> <p>Capacity to deliver training and information seminars.</p> |

Western Australia recognises that delivering millions of dollars in value for money improvements in the way Government buys its goods and services does not happen by accident – it is fundamentally attained through improved strategic thinking and decision making by procurement professionals.

By the end of its five-year reform program that commenced in 2003, the WA Government expects savings of around \$150 million per annum from a \$4 billion annual procurement spend. Leveraging whole of government buying power is delivering substantial savings.

In the area of telecommunication services alone, procurement professionals identified a saving opportunity for Government in the order of \$30 million each year. The new telecommunications contract launched during May 2006 maximises efficiency savings and promotes competition in the marketplace.

Other achievements from the reform include:

- a uniquely designed business model which has created a single whole of government service centre of procurement specialists;
- improved risk management through standardised contract documents and new terms and conditions;
- more effective contract development and management supported by a technology platform;
- strengthened implementation of Buy Local policy through the establishment of Regional Buying Centres; and
- richer market and business intelligence.

Underlying the reform process has been a simple philosophy – get the people issues right and procurement delivers. Focusing on the long term need for a professionally qualified procurement workforce will enable improvements to the delivery of procurement services to government agencies, with flow on benefits to the State and people of WA.

PRINCIPAL PROCUREMENT PROFESSIONAL

The characteristics of the *Principal Procurement Professional* include:

| | |
|---|---|
| Role | <p>Leads & manages one or more teams to deliver procurement outcomes.</p> <p>Provides management & leadership in the organisational context.</p> |
| Management and Leadership Responsibility | <p>Typically responsible for the procurement capacity through multiple teams engaged in high value & risks procurements.</p> <p>Leads innovations within procurement.</p> |
| Decision Making | <p>Responsibility to commit for significant value & risk projects</p> <p>Makes recommendations to the Chief Procurement Officer/ Committee on high value & risk procurements.</p> |
| Accountability | <p>Typically accountable for delivery of high value & risk procurement projects.</p> <p>Accountable for the formulation of strategic KPIs & monitoring of benefits realised.</p> |
| Supervision Received | <p>Activities are assigned at a strategic level & operates independent of direct supervision.</p> <p>Performance managed through outcome KPIs.</p> |
| Public Sector Context | <p>Influences government procurement strategy & makes recommendations on Ministerial level considerations.</p> |
| Personal Attributes | <p>Represents the organisation/jurisdiction at national & international levels & to CEOs, Ministers & suppliers.</p> <p>Understands & positively influences the organisations culture & advancement of the procurement profession.</p> <p>Actively participates in knowledge sharing.</p> |

A central feature of staff, resource and asset management in the **Australian Government** is the high level of responsibility allocated to departments and agencies to manage their own affairs within a general legal and policy environment. The Chief Executives of agencies are responsible for their own procurement and for staff issues including professional development.

Each agency's Chief Executive's Instructions issued under the Financial Management and Accountability Regulations prescribe the requirements of the agency's procurement process. Agencies seek to match their processes and the skills of their staff to the particular circumstances of their role.

Responsibility for the governance of procurement within an agency is generally determined by the agency's particular circumstances and the nature of the procurements it undertakes.

CHIEF PROCUREMENT OFFICER

The characteristics of the *Chief Procurement Officer* include:

| | |
|---|--|
| Role | <p>The organisations most senior procurement professional who leads the procurement strategy.</p> <p>Establishes and accountable for achieving the organisation's procurement outcomes.</p> |
| Management and Leadership Responsibility | <p>A senior procurement professional typically with reporting responsibility to the CEO.</p> <p>Leads the organisations procurement capacity.</p> |
| Decision Making | <p>Ability to commit at the highest responsibility for government procurement.</p> |
| Accountability | <p>Responsible for delivering the organisation's procurement outcomes.</p> <p>Establishes & manages the procurement governance arrangements within the organisation.</p> |
| Supervision Received | <p>Typically has reporting responsibility to the CEO & receives executive government direction.</p> |
| Public Sector Context | <p>Shapes procurement strategy & policy at the whole of government level & influences Ministerial decisions.</p> |
| Personal Attributes | <p>Shapes the future of procurement.</p> <p>Positions procurement in the external environment & whole of government context.</p> <p>Innovates & inspires others to the procurement profession ideal.</p> <p>Eligibility for FCIPS.</p> |

The **Australian Capital Territory** Government has reformed procurement arrangements in the ACT by centralising all activity related to the procurement of goods, services and works, of value \$20,000 and above, into ACT Procurement Solutions.

As a result, the Government has created a centre for procurement expertise that includes both an operational arm, that undertakes and manages major procurement activities including capital works contract management, and a policy arm which, through the ACT Government Procurement Board, sets procurement policy.

The Government recognises 'procurement' as a professional management function, which is key in underpinning the successful delivery of government services to the community. With centralisation, ACT Procurement Solutions provides the opportunity for professional career paths for its staff, based on its organisational structure, and the wide range of activities undertaken which encompass simple procurement to highly complex and strategic procurement involving significant project management activities.

In order to achieve value-for-money outcomes and the provision of quality customer focused services, Procurement Solutions staff need to be strategically driven; exemplify self-management and initiative; and display expertise and knowledge with a commitment to professional growth. The opportunity is also available for individuals working outside ACT Procurement Solutions to identify and target procurement as a career path within a professional organisation in the ACT.

DEVELOPMENT PROGRAMS FOR ENTRY LEVEL PROFESSIONALS

Government procurement professional workforces of the future will rely on attracting, recruiting and developing people via three major pathways. These are i) graduate recruitment; ii) recruitment of procurement professionals from the private sector and professionals from other disciplines in the private and public sectors (a process known as lateral recruitment); and iii) development of high achievers in the existing government practitioner workforce.

The typical development program and average length of time required in gaining the knowledge, skills and experience required of entry level government procurement professionals is detailed in the figure below.

| Stream | Development Program |
|--|---|
| University Graduate | |
| Procurement Major | 2-3 years professional experience – to gain evidence of application of procurement knowledge, evidence of knowledge of public sector operations and develop professional acumen |
| Other Discipline Major | 3-4 years professional experience – to gain knowledge of procurement systems, policies and procedures, gain evidence of application of procurement knowledge, evidence of knowledge of public sector operations and develop professional acumen |
| Lateral Professional Recruitment | |
| Procurement professional from the private sector | Approximately 12 months experience – to gain evidence of knowledge of public sector operations |
| Professional in a non-procurement discipline from the public sector | Approximately 1-2 years experience – to gain knowledge of procurement systems, policies and procedures and gain evidence of application of procurement knowledge |
| Professional in a non-procurement discipline from the private sector | Approximately 1-2 years experience – to gain knowledge of procurement systems, policies and procedures, gain evidence of application of procurement knowledge and evidence of knowledge of public sector operations |
| Mainstream Practitioners | |
| Government procurement practitioner | Procurement practitioners wishing to enter the profession - assess capabilities against the standard and establish a development plan accordingly. Typically will complete graduate university studies and progress via the graduate pathway or equivalents |

New Zealand recognises the importance of good procurement practice and the value that capability in the procurement profession can bring to government.

The New Zealand Government procurement market exists within a strongly decentralised public management system and an open economy. The New Zealand Government procurement policy is based on the premise that agencies are more likely to achieve best value-for-money outcomes through practices that encourage and maintain transparent and competitive markets. The growing number of procurement related initiatives and the expectation that taxpayers' money is being spent efficiently, effectively and with high standards of probity mean that the demands placed on public sector procurement professionals are greater than ever.

The Government Procurement Development Group (GPDG) was formed within the Ministry of Economic Development in July 2006 with the mission "To drive the best possible procurement outcomes for government, the taxpayer and business in New Zealand". One of its roles is to assist with the development of procurement capability in the public sector. We do this by providing training and education programmes and good practice guidance material in a community of practice. Government procurement practitioners from individual agencies and across sectoral groups network through this community of practice, saving money by joining syndicated contracts, learning from the stories and lessons they share, and adopting common standards and approaches.

New Zealand, along with the Australian Commonwealth, State and Territory governments, is a member of the Australia New Zealand Government Procurement Agreement (ANZGPA) which promotes a single trans-Tasman government procurement market. One of the aims of the ANZGPA is cooperation by the Parties in working towards the greatest possible consistency in procurement practice. This guide is a useful step to that end.



ABOUT THE APCC

Founded in 1967 the Australian Procurement and Construction Council Inc (APCC) is the peak council of departments responsible for procurement, construction and asset management policy for the Australian, State and Territory governments. New Zealand is an associate member. The APCC reports to the Australian Procurement and Construction Ministerial Council (APCMC), comprising Ministers with direct responsibilities for procurement and construction matters.

The APCC has established itself as a national reference point for both government and industry on best practices, principles and emerging issues in procurement, construction and asset management disciplines.

The Council provides leadership in these disciplines to improve and implement new and evolving procurement practices in ways that will deliver service benefits to the Australian community.

The APCC forum is a catalyst for knowledge sharing, intelligence gathering and has the information networks to draw on for formulating solutions. The APCC collective continues to strengthen relationships with government partners and other stakeholders to promote a consistent and coordinated national approach to government procurement.

APCC MEMBER AUTHORITIES (AT FEBRUARY 2007)

| | |
|-------------------------------------|--|
| New South Wales | Department of Commerce |
| Victoria | Building Commission Department of Treasury and Finance |
| Queensland | Department of Public Works |
| South Australia | Department for Transport, Energy and Infrastructure Department of Treasury and Finance |
| Western Australia | Department of Housing and Works Department of Treasury and Finance State Supply Commission |
| Northern Territory | Department of Corporate and Information Services |
| Australian Government | Department of Finance and Administration |
| Australian Capital Territory | Department of Treasury |
| New Zealand | Ministry of Economic Development |

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