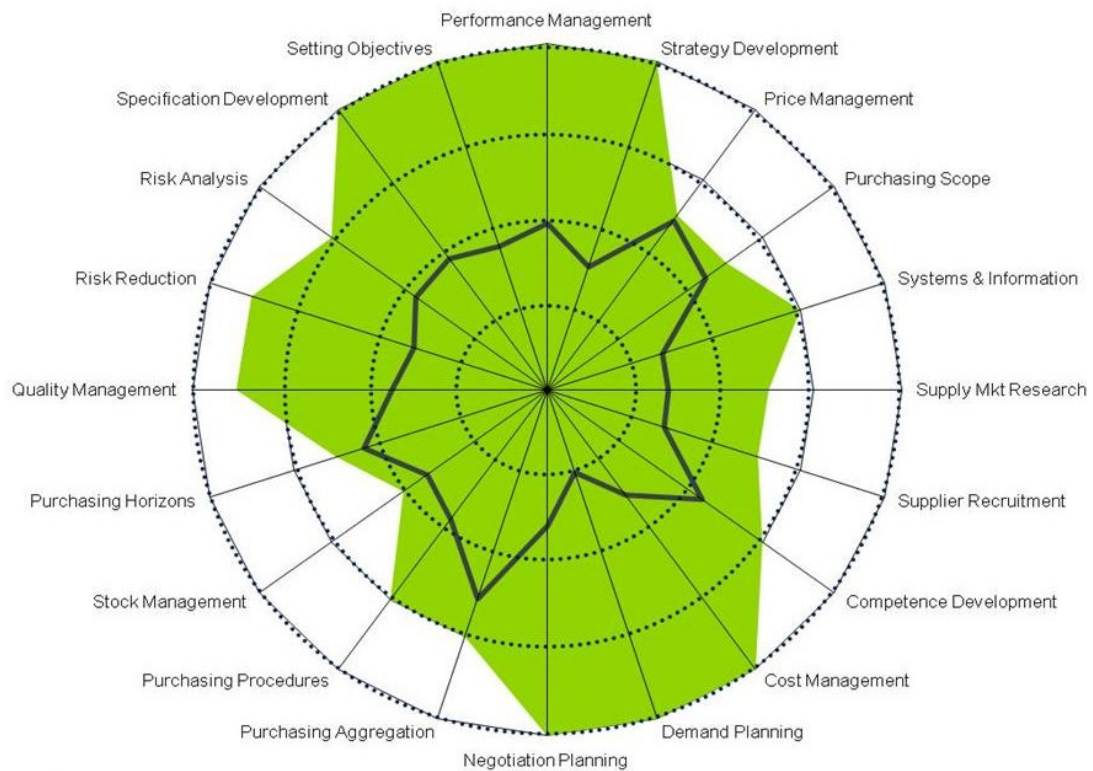




A guide to assessing purchasing competences using the *Purchasing Profile*

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Overview of the Purchasing Profile

The *Purchasing Profile* is a self-diagnostic questionnaire-based toolkit, which helps organisations assess and improve their purchasing effectiveness in a fast, cost effective manner with no disruption to business operations.

At the heart of the *Purchasing Profile* are 20 elements that are present in the purchasing activities of world class organisations. Each of these 20 elements is supported by a set of positive and negative indicators (descriptive statements), which help organisations identify the extent to which each of the elements is present in their purchasing processes.

The *Purchasing Profile* can be used to:

- Identify an organisation's purchasing aspiration (what it wants to be good at)
- Assess the actual strengths and weaknesses of the purchasing team
- Signpost how to implement a course of action to achieve world class processes in the areas of purchasing relevant to the organisation.

Central to the process is the completion of two self-administered questionnaires:

- **The *Purchasing Profile* Aspiration Workbook.** A facilitative tool used by a manager or stakeholder group to agree the level of competency required for each of the 20 elements
- **The *Purchasing Profile* Observation Questionnaire.** Completed online by individuals in the target group. The individual responses collectively provide the profile of the organisation's purchasing capability.

The organisation profile, based on the collective responses, can then be mapped onto the organisation's aspiration to identify possible gaps. This in turn helps an organisation target its development budget on specific high-priority issues, rather than spreading it thinly over all areas.

Maguirelazz plays a valuable role in facilitating the use of the model, and in statistically analysing the results of **The *Purchasing Profile* Observation Questionnaire**. When designing the instrument, Maguirelazz was sensitive to the need for maximum results with minimal disruption to the daily business of a client company. The *Purchasing Profile* does not require a large amount of management or consultant time and does not result in large cumbersome reports.

The *Purchasing Profile* diagnostic toolkit combines the best of purchasing experience with methodologies used in psychometric testing to produce a tool which is statistically reliable and far more accurate in company profiling than many traditional management consulting techniques. It is easy to use, encourages staff buy-in and is action oriented.

The Model

The *Purchasing Profile* uses a model of purchasing excellence derived from observations of best practice. It is a dynamic model, which evolves as organisations change and new practices emerge and become embedded.

Currently, the profile comprises 20 elements:

1. Competence Development

The extent to which people involved in purchasing are trained and developed in the skills required. This includes the identification and targeting of training needs for individuals, and the degree to which the organisation encourages continued professional development.

2. Cost Management

The extent to which the organisation can measure and analyse all the costs associated with the use of external resources. The quality of information available to purchasers about total costs as well as prices. The extent to which the organisation attempts to manage all purchasing related costs, both internal and external.

3. Demand Planning

The degree of awareness of future demand for goods and services to be purchased. This includes awareness of supplier capacity, and changes in internal requirements and the accuracy of the demand planning process.

4. Negotiation Planning

The extent to which purchasers prepare for negotiations and take a structured approach to that planning process. The effectiveness of the negotiation planning process in improving negotiations and avoiding subsequent problems.

5. Purchasing Aggregation

The extent to which the purchase of similar items and services by different parts of the organisation are co-ordinated, and the effectiveness of that co-ordination. The extent to which purchasers are aware of the activities of other purchasers rather than acting completely independently.

6. Purchasing Horizons

The breadth of sources of new ideas and the openness to innovation and change. The degree to which the purchasing activities are open to new ideas from outside the organisation. The extent to which the organisation seeks out or is resistant to change in its purchasing activities.

7. Price Management

The methods by which the organisation attempts to manage price. The quality of information available about suppliers' pricing, and the extent to which that information is used to manage the drivers of price.

8. Purchasing Procedures

The extent to which the organisation has developed and applies a standard set of procedures to its purchasing. The effectiveness of communication of the purchasing procedures and the degree to

which staff involved in all areas of expenditure understand and make use of them. The development of new procedures to encourage best practice.

9. Purchasing Scope

The level of involvement and influence of the purchasing function or specialist purchasing expertise. The extent to which budget holders have access to, and make use of specialist purchasing experts to assist in all areas of expenditure.

10. Quality Management

The effectiveness of methods to ensure high standards of quality of goods and services purchased. The amount and usefulness of information available about supplier performance and the extent to which the organisation works with suppliers to ensure quality improvements.

11. Risk Analysis

The methods used to anticipate and assess risks associated with the use of external resources. The extent to which there is a formal methodology for risk assessment which is consistently applied.

12. Risk Reduction

The steps taken to manage and reduce risks that have been identified. The extent to which areas of risk are brought to the attention of and included in negotiations with suppliers. The use of contracts to anticipate possible areas of risk.

13. Specification Development

The process by which requirements for goods and services are specified. The methods by which the organisation keeps track of and controls the proliferation of specifications. The extent to which users and designers are aware of the purchasing implications of introducing new variants. The extent to which specifications are developed on the basis of the functionality.

14. Systems and Information

The quality of management information available about purchasing activities and the ease of availability of that information. The extent to which information technology is used to capture and analyse all relevant purchasing records. The extent to which common systems are established across different areas of purchasing.

15. Supplier Management

The extent to which the organisation is proactive in managing relationships with suppliers. The systems for agreeing standards for and monitoring supplier performance, exchanging feedback with suppliers, and working together to achieve improvements.

16. Setting Objectives

The degree to which objective setting is used to improve purchasing performance. The objective setting process, and the extent to which it is in line with purchasing strategy and provides real business benefits.

17. Supply Market Research

The amount and quality of information gathered about the markets from which the organisation buys. The amount of effort made to gain and maintain in-depth market knowledge.

18. Supplier Recruitment

The way in which new suppliers are introduced to the organisation, and the extent to which a systematic and thorough approach is taken to evaluate potential suppliers before doing business with them.

19. Stock Management

The level of sophistication of the stock management systems. The effectiveness in planning stock levels across different item types, and the accuracy of information about stocks.

20. Strategy Development

The extent to which there is a formal strategy development process for purchasing. The degree of involvement of very senior management and the level of cross-functional input into the purchasing strategy. The use of a strategy to focus purchasing activities in line with overall business objectives and to concentrate on key areas of expenditure.

Using the Purchasing Profile

This section describes the stages involved in using the *Purchasing Profile* effectively. The description of each step will cover the aims, people who should be involved, action to be undertaken, the outcomes and the role of Maguirelzett. Organisations may choose to use some or all steps. At its simplest level The *Purchasing Profile* Observation Questionnaire can be used to provide a quick profile of the organisation. Or, using all steps, the Purchasing Profile can be used as the platform for a more strategic competency development programme.

1. Agreeing the Scope

Aim

The objective of this stage is for the project champion and Maguirelzett to define the project scope and to set clear boundaries which are relevant to the organisation and which will act as a baseline for comparison and targeting.

Actions

This requires defining the nature of the purchases being reviewed and the community of employees to be involved in the project. The scope of the exercise can be set in a variety of ways. Typically, four elements play a large part in deciding the eventual design:

- **Purchase types:** focusing on services, or materials, or particular purchases
- **Locations:** comparing and contrasting the purchasing processes within a designated organisational or geographic segment
- **Buying groups:** choosing a defined group of purchasers such as marketing or R&D
- **Customer groups:** selecting a specific set of customers to whom purchasing services are provided

In some cases it is possible, by prior agreement, to achieve comparisons between companies where the data is available or can be obtained and the companies in question are willing to participate in such an exercise.

It is in this stage that we set the measurement criteria by which we will assess the opportunities that arise.

2. Setting an Aspiration

Aim

The objective of this stage is to get the management team to agree a specific target for the level of achievement it aspires to for each of the 20 elements of the *Purchasing Profile*. This set of targets becomes the aspiration profile against which the actual practices of the purchasing community are later compared.

Actions

Members of the management team and senior stakeholders are asked to individually complete the *Aspiration Workbook* in advance of a workshop. This involves setting a level of attainment for each of the 20 elements of purchasing set out in the *Purchasing Profile*. These elements are explained in the section entitled “The *Purchasing Profile Model*” (pages 8 to 10.)

The four levels of competence defined in the *Aspiration Workbook* for each of the 20 elements of purchasing are:

- **Innocence:** the organisation is unaware of or sees no need to develop its skills and capabilities in this area
- **Aware:** the organisation acknowledges the need to develop competence in this aspect of purchasing but lacks sufficient understanding to set a clear objective
- **Competent:** the organisation has a clear understanding of its desired state and has established appropriate methods to achieve it
- **Challenging:** the organisation has established practices that constantly challenge the established methods and looks to re-invent itself on a continuing basis

(Extracts of the *Aspiration Workbook* are included in Appendix I.)

Maguirelzett facilitates a workshop including the management team and senior stakeholders to explore any differences in the views of the group about the aspirations and to negotiate agreement on a final position for the level of attainment for each of the 20 elements.

It is important to consider any diversity in views, which could result in the need to develop different targets for different parts of the organisation. This could mean setting different aspirations for different segments of the organisation or suppressing completely elements that are not felt to be important.

3. Gathering Evidence

Aim

The purpose of this stage is to develop a profile of actual, rather than aspired to, purchasing activity by asking all people in the defined purchasing community for their observations of purchasing activities. The responses are plotted to produce a series of graphical profiles of actual purchasing processes, which score the relative strengths and weaknesses of an organisation's purchasing activities.

Actions

The client uses **The *Purchasing Profile Observation Questionnaire*** to survey the widest possible group of purchasers necessary to develop a representative profile. These purchasers may not necessarily be limited to people working in the purchasing department but include a variety of stakeholders involved in the purchasing process. A more detailed list of these stakeholders can be found in Appendix I on page 22.

The *Purchasing Profile Observation Questionnaire* can be completed in under an hour, is self-administered and requires no support. This enables organisations to survey the widest possible group efficiently at little cost. It also means that respondents can complete the questionnaire at a time convenient for them.

The questionnaire asks respondents to state the extent to which they recognise the presence or absence of a suite of positive and negative indicators (descriptive statements) of performance. Crucially, it does not ask for *opinions* about what should or should not be done but focuses on the actual *activity* of the individuals completing the questionnaire.

The questionnaire was developed using the methodologies employed in the development of psychometric tests and it has been subjected to rigorous testing. When the questionnaire has been completed the questionnaires are returned to Maguirelazzat for statistical analysis. The responses are combined to present a variety of profiles of purchasing behaviour. The *Purchasing Profiles* can be segmented in a variety of ways to suit a client's needs. Examples of typical profiles from past assignments are included in this guide on pages 15 to 17.

4. Gap Analysis

Aim

The purpose of this stage is to combine the *Purchasing Profile Aspiration* and *Purchasing Profile Observation Profiles* in order to identify the gaps between the client's "where we are" and "where we want to be" profiles. The examples included in this guide on pages 15 to 17 show how the gaps between aspiration and observation emerge when the two profiles are mapped on to each other.

Actions

Maguirelazz facilitates a workshop team representing management and staff and aimed at identifying and prioritising the gaps that the team believes are most significant for the organisation and to consider how improvement in these areas is best addressed.

This workshop is highly participative and uses as a key input the various profiles generated from both the *Purchasing Profile Aspiration* and *Purchasing Profile Observation Questionnaires*. The workshop team can compare and contrast the different results and perspectives for each of the contributing groups.

The profiles will clearly show, among other things:

- Differences in the views of different teams
- Differences between grades
- Differences across sites
- Where best practice sits and in what element
- The parts of the organisation that can provide leadership

5. Investment Analysis

Aim

The purpose of profiling is to improve business practices. The purpose of this phase is to prepare a robust business case in support of any gaps, which the team has selected to work on.

Actions

Only where there is a business benefit from attacking a perceived gap is there a clear case for committing business resources. Therefore, the team needs to undertake a full cost-benefit analysis of proposed improvement options. The investment necessary to achieve each of the various improvements that have been signposted must be costed and compared with the benefits arising from successful implementation.

6. Recommendations

Aim

The purpose of this stage is to develop an agreed approach to successfully communicating and implementing the recommendations agreed following the gap analysis.

Actions

Only proposals that pass the investment test become fully-fledged recommendations. This requires the identification of a champion for each one, who will compile a charter, detail the business case for the recommendation and list the activities necessary for its successful implementation as illustrated in the table below:

Activity	Description	D	O	N	E
List activities by title.	A short description of the activity.	The person(s) who will do the work.	The person who will ensure success: steering the team and ensuring conformance to plan.	Those who need to be made aware of what is happening because it will impact on them.	People who need to be supportive of the proposals because they can prevent progress .

7. Action Planning

Aim

The purpose of this stage is to compile detailed action plans for each of the agreed recommendations.

Actions

The action plans must include resource requirements, time-scales and key milestones. Experience suggests that they should also include regular liaison opportunities with any other teams working on different gaps and project review meetings where the overall direction and deliverables of the project can be re-assessed in the light of changing data.

Benefits: Why the Purchasing Profile approach works

In designing the *Purchasing Profile*, we were careful to design not just a product, but a *process* within which the product could be used to ensure maximum effectiveness.

We set out to develop a means by which organisations could embark upon an improvement process with a clear model of the future; a customised set of objectives and the means to encompass the widest possible community in the assessment of the current position.

At Maguirelzett we strongly believe that business improvement initiatives fail to realise their full potential for four broad reasons. Below we explain how the design of *Purchasing Profile* helps organisations avoid these common causes of failure.

Logical incrementalism

The culture of continuous improvement has become increasingly prevalent in organisations. This has led to a focus on improvement where the start point is the current position.

Resulting proposals are inevitably incremental in nature – they improve the current position by a small amount. This type of adaptive change is easy to implement but rarely results in a fundamental change to business practices. Step-change requires a more radical and innovative approach to the targeting of improvements.

The management team needs to be challenged to look outwards and measure improvement as the distance away from a goal rather than the extent of advance from the start point. The *Purchasing Profile Aspiration Workbook*, which draws on the 20 elements of world class purchasing, provides an external challenge and a workshop tool for facilitating the setting of future goals.

Universal truths

Many initiatives start by focusing on organisational weaknesses. Where these weaknesses are directly related to performance this is to be encouraged. However, too often these perceived weaknesses are the result of comparisons with organisations that have different objectives and different imperatives.

This results in targeting improvement in areas which will not deliver benefits however good we become at them. “Zero variability” and “zero stock” serve as two examples which many organisations would do well to acknowledge as world class practices and then reject as being inappropriate in their world.

We are all too well aware of the dangers of benchmarking, which can produce unrealistic and unhelpful comparisons between dissimilar organisations. Our emphasis is on benchmarking an organisation’s aspirations against its actual activity. This approach allows a company to set targets which are consistent with an organisation’s overall objectives.

Focus on opinions

Frequently business improvement initiatives rely on workshops to contribute the pool of data. Workshops are by their nature limited in their view of the organisation. Typically they are comprised of the people who could be available or who are activists in the organisation and are comfortable in this type of environment.

In this environment views and opinions about who does what or what happens where is the currency of debate. Empirical evidence is difficult to obtain and therefore does not play a large part in the design of the future. Many people prefer to critique or discuss a proposal rather than join in a blue-sky discussion of possibilities. This type of person often sits quietly in workshops rather than fight for airtime in a vociferous group. A successful business improvement initiative must find a way to embrace as wide a selection of people as possible.

The *Purchasing Profile* overcomes this problem by providing a rigorously tested questionnaire that has been developed using methodologies applied in psychometric testing. The people taking part in the survey are asked to speak from their experience of how they actually carry out the day-to-day tasks involved in the purchase of goods or services.

By focussing on individuals and what they know about their tasks, and not what they think about others, we avoid the need for people to express opinions on aspects of the organisation they are not always familiar with.

Logistics of data gathering

Many organisations now are located on different sites or in different countries. This can make the cost of embracing the entire community prohibitive. The logistics of arranging meetings, resource requirements and travel costs all add to the pressure to minimise the number of people involved in the data collection process.

Add to this the difficulties of getting agreement to a report, which was written by a committee based upon different individual's contributions from various meetings, or interviews they held, and the data task can easily become overwhelming or confused.

The *Purchasing Profile* is available electronically. Therefore, it is a tool that can be distributed to a wide variety of people who can fill it in at their own convenience. According to individual preference they can complete it in stages, at home or in the office or even when travelling.

Once completed, the responses can be returned directly to Maguirelazz on. Using this approach avoids the need for wide ranging general meetings and eliminates the time consuming and expensive need to bring people together in the one forum simply to discuss how they do their work.

Examples of the Purchasing Profile

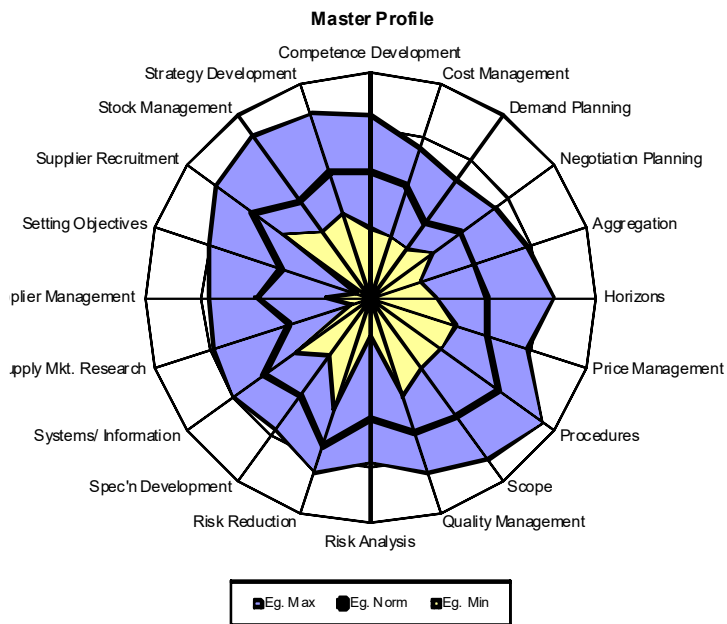
This section provides various examples of how data obtained from responses to the Purchasing Profile Aspiration Workbook and Purchasing Profile Observation Questionnaire are combined graphically to present a clear picture of the relative strengths and weaknesses of purchasing in an organisation.

The resulting profiles provide a highly effective visual tool for representing an organisation's current buying performance and for facilitating decision making about the elements on which an organisation needs to focus.

These clear and easy to understand Purchasing Profiles replace large reports which are unnecessary when the findings can be so clearly demonstrated.

Maguirelzett can provide a wide range of profiles that allow the responses to be analysed in a variety of ways. It can plot the responses of all individuals as well as subgroups, such as specific buying and management teams, and even (in exceptional circumstances) individuals.

To give you a clearer understanding of how the profiles are used, the following examples are accompanied by brief descriptions explaining the types of conclusions that can be drawn.



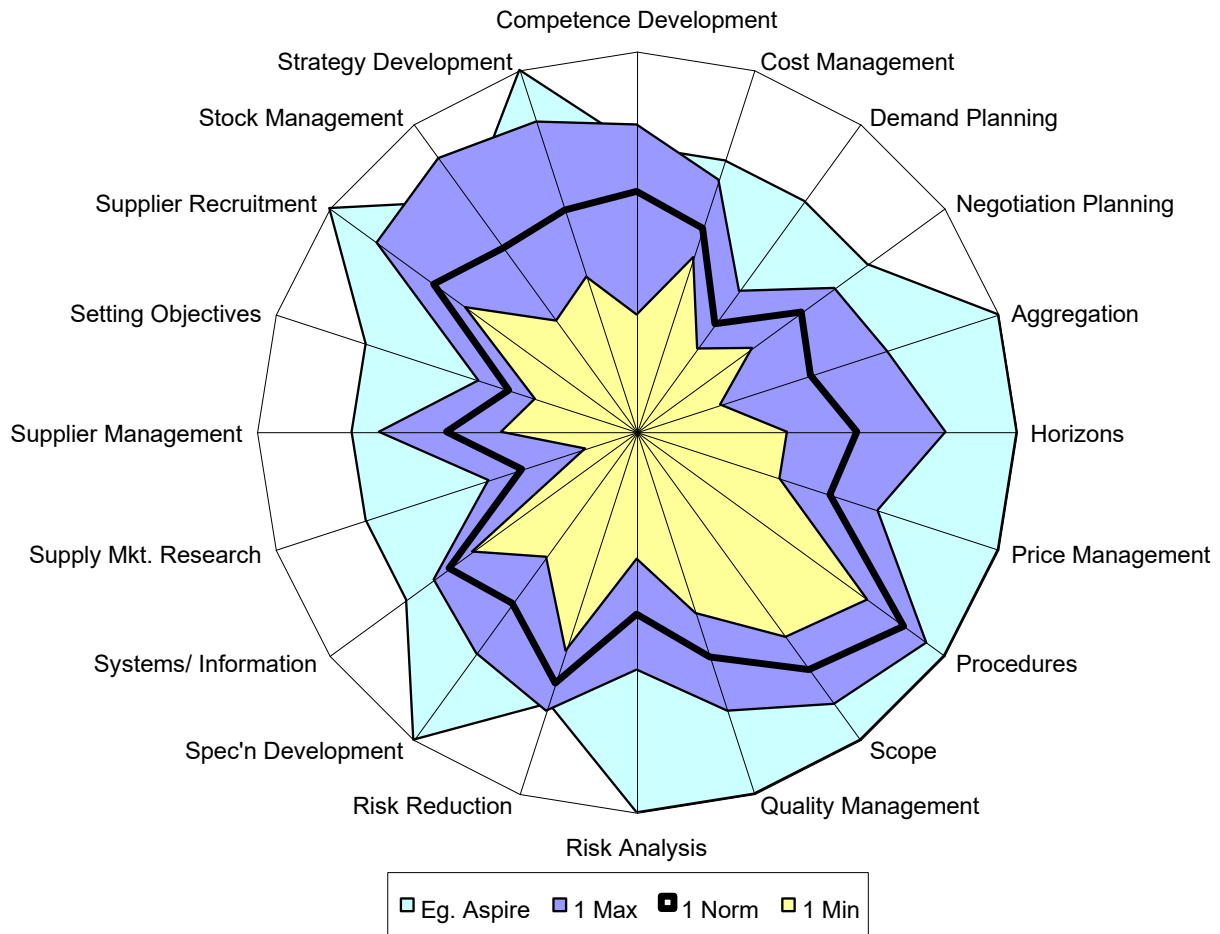
Purchasing Profile 1: Master profile

This profile plots all the responses from the Purchasing Profile Observation Questionnaire from an organisation's purchasing team. It tells us that the company is strong in the downstream, or operational, purchasing areas such as procedures, scope, supplier recruitment and stock management but quite weak in the upstream purchasing areas such as cost management, demand planning, negotiation planning and price management.

This indicates that the organisation is good at buying what it is told to buy, but its lack of performance in the upstream processes means that the business could be shouldering a higher cost base than is necessary. The organisation's cost base could be improved by increasing its strengths in these elements.

The wide spread of responses for risk analysis, procedures, setting objectives and scope mean it is difficult to be conclusive about the actual buying performance of the company in these areas. It is not possible to establish priorities for improvement, as this profile does not record the organisation's aspiration.

Subgroup Profile: Senior Managers



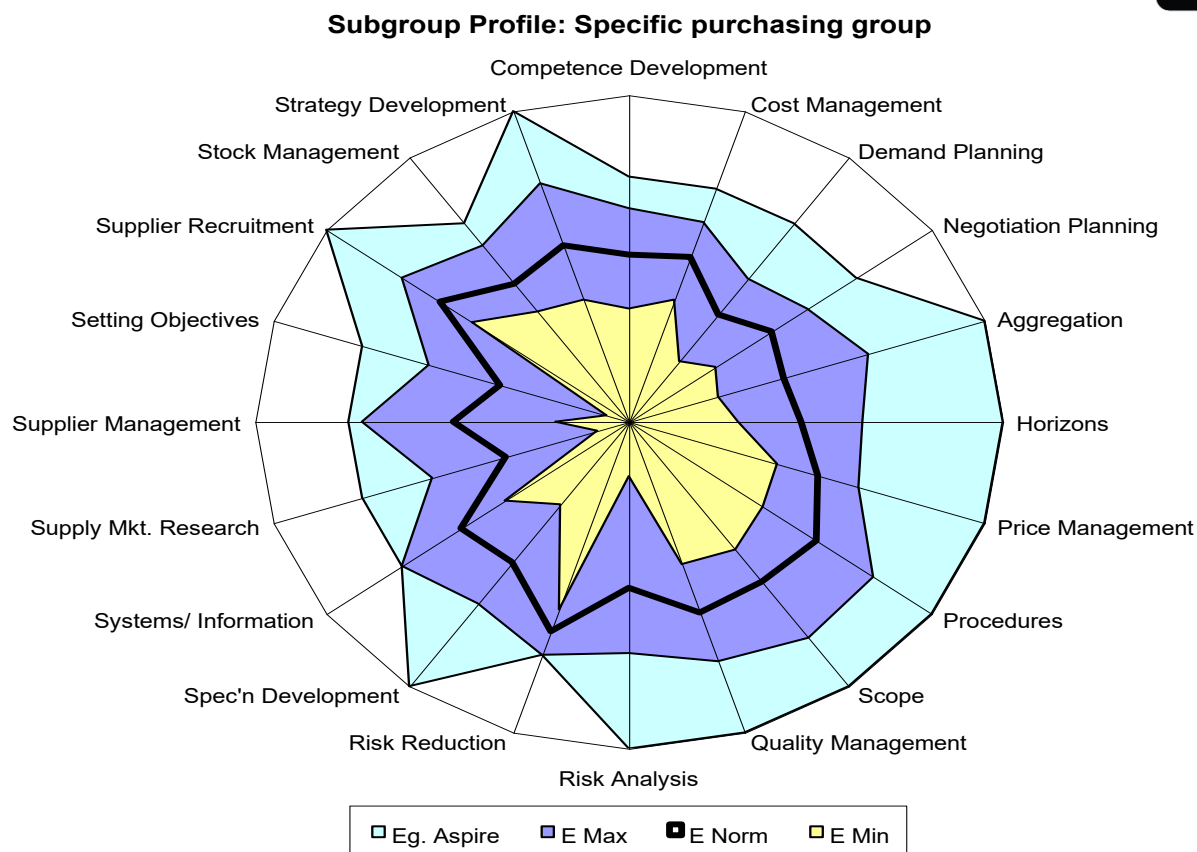
Purchasing Profile 2: Profile of a subgroup of senior managers.

This profile illustrates the spread of responses from a group of the most senior grade of buyers and maps it on to the aspirations agreed by the organisation's management team.

The aspirations, the outer light shaded area, shows us that the company wants to be world class in all the elements of purchasing from aggregation through to risk analysis as well as specification development, supplier recruitment and strategy development. It aspires to be competent, rather than world class, in areas such as cost management, competence development, demand planning and supplier management.

The observations, in the dark grey shaded area shows us that the company is already very strong in areas such as procedure, supplier recruitment and stock management. It is difficult to be conclusive about its performance in areas such as stock management and competence development because of the wide spread of responses.

This company is faced with two choices: to become better at elements of buying in which it is already competent or, become competent at things it is not good at. The former will need it to focus on aggregation, horizons, price management, quality management, risk analysis and specification development. If it opts for the latter route, it will need to focus on supply market research, setting objectives and demand planning.



Purchasing Profile 3: Profile of a specific purchasing group

This profile illustrates the spread of responses to the *Purchasing Profile Observation Questionnaire* for a specific buying group and compares it to the management team's aspirations.

Taking the aspirations first, the management team aspires to excellence in the upstream elements of purchasing in the elements on the right side of the radar between aggregation and risk analysis, as well as specification development, supplier recruitment and strategy development. It places less importance on the downstream areas such as risk reduction, cost management and demand planning, where it aspires to be competent rather than world class.

The very wide spread of responses about many elements means that it is hard to be conclusive about the performance of buying in areas such as supplier management, risk analysis, setting objectives and supply market research. However the responses suggest that the team is competent in most elements, with aggressive aspirations to be far better.

This is a robust and competent buying group but to make a step change it needs to get involved earlier in the purchasing process.

For this team to achieve its aspirations, it will need to concentrate on building its strength in upstream areas such as aggregation, horizons, specification analysis, and risk analysis.