Developing Skills in Purchasing

Better Purchasing Guide

Queensland Purchasing

Published March 2001
PURPOSE OF THIS GUIDE

The purpose of this Guide is to provide information about how Queensland Government departments/agencies can develop officers' purchasing skills. It provides a strategic framework for strengthening purchasing capability.

WHO SHOULD READ THIS GUIDE?

Queensland Government officers involved in developing the Corporate Procurement Plan and strategic training and development plans should read this Guide. Generally, all officers involved in purchasing activities would also benefit from reading this Guide.

HOW IS THIS GUIDE TO BE USED?

This Guide should be read in conjunction with the State Purchasing Policy, your department’s “Agency Purchasing Procedures”; the department’s Corporate Procurement Plan and human resource management policies and procedures. The following selection of Better Purchasing Guides may also provide useful information:

- Corporate Procurement Planning
- Developing “Agency Purchasing Procedures”
- Planning for Significant Purchases
- Analysing Supply Markets for Purchasing

This Guide is intended only as a starting point to provide an overview of the main issues that departments and agencies may consider when developing its purchasing skills. It is not intended that this Guide replace expertise and other valuable resources that are required to produce successful outcomes for departments or agencies.

1 “Agency” means the department/agency or statutory body as defined in the Financial Administration and Audit Act (Qld) 1977 and any Government Owned Corporation and its subsidiaries where the Shareholding Ministers have given notification pursuant to s. 123 of the Government Owned Corporations Act 1993 as listed in Schedule D as published from time to time in the State Purchasing Policy by the Department of Public Works.

2 “Agency Purchasing Procedures” are departmental/agency specific procedures that set out how purchasing activities are to be conducted in compliance with the State Purchasing Policy. These procedures are also referred to as “local instructions” or “local purchasing instructions”.

The new State Purchasing Policy

The new State Purchasing Policy is an outcome focussed Policy. It provides flexibility for departments/agencies to determine the most effective measures to achieve the desired outcome either at the level of the individual purchase or whole categories of goods/services.

The objectives of the State Purchasing Policy are to:

• **advance Government priorities** - These priorities define the Government’s commitment to advance, through its purchasing, certain social, economic and environmental objectives.

• **achieve value for money** - The concept of value for money is not restricted to price alone. The value for money assessment must include consideration of:
  • contribution to the advancement of Government priorities;
  • non-cost factors such as fitness for purpose, quality, service and support; and
  • cost related factors including whole-of-life costs and transaction costs associated with acquisition, use, holding, maintenance and disposal.

• **ensure probity and accountability for outcomes** - A department/agency must conduct its purchasing activities with the utmost probity. Some relevant probity and accountability requirements are set out in legislation.

It is intended that each department/agency should use its best endeavours to ensure that competitive local firms that comply with relevant legislation are given a full, fair and reasonable opportunity to supply the Queensland Government.


How does the State Purchasing Policy link to this Guide?

Developing appropriate purchasing skills is critical to ensuring that a department/agency has the capacity to meet its purchasing objectives and the objectives of the State Purchasing Policy.

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A strategic approach to developing purchasing skills

It is critical for officers involved in procurement to have the appropriate skills and knowledge to achieve the best outcomes for their department/agency. To obtain the best purchasing outcomes for the department/agency it is necessary to have competent staff who are continually improving their skills and knowledge.

Strategies for developing a department’s/agency’s purchasing skills must be included in the Corporate Procurement Plan. It is a mandatory requirement of the State Purchasing Policy that all Queensland Government departments/agencies produce a Corporate Procurement Plan annually. This Plan sets out the objectives to be achieved through the agency’s purchasing activities; how the agency will meet its specified objectives; and mechanisms through which the achievement of the agency’s purchasing objectives will be measured. For more information refer to the “Corporate Procurement Planning” Better Purchasing Guide.

A strategic approach towards skills development means using the department’s/agency’s purchasing skills in the most effective way across the department/agency.

This Guide explains a strategic procurement skills framework. It is based on a simple training needs analysis (TNA) model that may be familiar to human resource management or organisational development officers.

Developing skills for purchasing - a framework for departments/agencies

1. What purchasing does the department/agency do?
2. What purchasing skills does the department/agency need?
3. What purchasing skills does the department/agency possess?

Is there a skills deficiency? If Yes

4. How does the department/agency develop its purchasing skills?
   - Recruitment and selection
   - Training and education
   - Job rotation
   - Career path development
To address the department/agency’s purchasing skills, information needs to be gathered about the nature of its purchasing, the skills the department/agency needs and the skills the department/agency currently possesses. If the skills that the department/agency possesses are inadequate compared to the skills that the department/agency needs then there is a skills deficiency. There is a number of options to address a skills deficiency. This Guide outlines the following options.

1. Recruitment and selection.
2. Training and education.
4. Career planning and development.

**1. What purchasing does the department/agency do?**

To improve a department's/agency's purchasing skills, it is necessary for a department/agency to develop a good understanding of its purchasing profile. By analysing a department’s/agency’s purchasing patterns, its suppliers and the supply markets, a department/agency will better understand the nature of its purchasing. Two major factors influence the nature of government purchasing:

1. The “difficulty of securing supply” of goods and services which means:
   - the degree to which the goods or services being purchased present risks or are critical to the agency; as well as
   - the extent to which a competitive supply market for the goods or services exists; and

2. The relative expenditure for the goods and services - which means their cost relative to the total purchasing expenditure of a department/agency.

When the total expenditure of a department/agency on goods and services is analysed, a department's/agency's purchasing can be segmented into four categories.

1. Goods and services with a low degree of difficulty in securing supply and a low expenditure relative to total procurement spend. These items collectively make up a relatively small proportion of the total expenditure on purchased items.

2. Goods and services with a low degree of difficulty in securing supply and a high expenditure relative to total procurement spend. These items collectively make up about a quarter of the total expenditure on purchased items.

3. Goods and services with a high degree of difficulty in securing supply and a low expenditure relative to total procurement spend. These items collectively make up a very small proportion of the total expenditure on purchased items.

4. Goods and services with a high degree of difficulty in securing supply and a high expenditure relative to total procurement spend. These items can collectively make up over half of the total expenditure on purchased items.
These categories are shown in the following diagram.

Determining which goods and services belong in which category is an activity called supply positioning and is described in the “Analyzing Supply Markets for Purchasing” Better Purchasing Guide.

The four categories of goods and services each have their own characteristics which are outlined in the table on pages 6 to 8. The skills required to undertake purchasing in the different categories vary, but sometimes overlap.

**Important**

Analyzing a department’s purchasing patterns can be a complex activity. It is not simply performed for the single objective of improving purchasing skills, but completed as a whole of agency exercise which aims at improving procurement outcomes. Part of the exercise involves improving purchasing skills. A number of Queensland Government departments/agencies have developed a good understanding of their purchasing patterns and can use this information to develop their purchasing skills.

**Corporate procurement planning**

The corporate procurement planning process includes an examination of the department’s/agency’s function and whether it is structured and equipped to deliver a strategic procurement focus capable of delivering the department’s/agency’s procurement objectives. Three main areas are focussed on to understand how the purchasing function currently operates within a department/agency:

- administrative arrangements for the purchasing function;
- purchasing systems and processes; and
- purchasing capability.
The following table outlines the key issues that need to be examined in each area.

### Administrative Arrangements for the Purchasing Function

- Are there clearly defined roles and responsibilities?
- What activities does the function currently encompass?
- Who is currently involved in purchasing operations and decision-making and what are their responsibilities?
- How is executive control of the purchasing function exercised?
- To what extent do operational units/divisions coordinate their purchasing of common goods and services?
- To what extent do officers who purchase share information about markets, suppliers and products?
- How is the performance of the purchasing function measured?

### Purchasing Systems and Processes

- How is purchasing conducted for different types of purchases and what are the associated costs of these transaction methods?
- What is the efficiency of any inventory management systems, including warehousing and distribution costs?
- Do suppliers have electronic interfaces that could potentially improve transaction and inventory management efficiencies or possess the capability to undertake inventory management activities?
- Is procurement management information maintained and easily accessible?
- How are centralised purchasing arrangements managed and monitored to ensure effective outcomes?
- Do department/agency procurement procedures reflect a strategic approach to procurement and are they documented, understood and easy to use by officers who purchase?

### Purchasing Capability

- Who is currently involved in purchasing and what skills/capabilities do they possess. In particular how do staff currently:
  - purchase goods and services?
  - manage supplier relationships and performance (including contracts)?
  - gather and analyse information on markets, suppliers and products?
  - manage significant purchases?
  - facilitate or co-ordinate purchasing activity?

Due to the strong relationship between these key issues, they should be examined simultaneously. Once the administrative arrangements (roles, responsibilities, structure and reporting arrangements) are in place, staffing and training requirements can be identified and appropriately addressed and implemented. Similarly, the systems used should be a direct reflection of purchasing processes which are aligned to the objectives of the State Purchasing Policy. For more information, refer to the “Corporate Procurement Planning” Better Purchasing Guide.
2. What purchasing skills does the department/agency need?

Based on the knowledge acquired about the nature of the department's/agency's purchasing, a valid assessment of skill requirements can be made.

The skills required by people in the department/agency to undertake purchasing will vary according to the degree of “difficulty of securing supply” and the relative expenditure of the purchase (that is, the category of the purchase), which are outlined in the table below.

<table>
<thead>
<tr>
<th>NATURE OF PURCHASING</th>
<th>CHARACTERISTICS</th>
<th>TYPES OF SKILLS REQUIRED</th>
<th>LIKELY LEVEL OF SKILL REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy to secure supply and low relative expenditure</td>
<td>• Goods and services in this category are usually very low value and routinely purchased or purchased ad hoc.</td>
<td>• Requires skills relating to operating efficient purchasing arrangements and order and payment processing systems.</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>• The transaction costs associated with purchasing these goods and services may be of greater cost than the items themselves.</td>
<td>• Generally of a clerical or administrative nature and are process-oriented.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Generally, there are competitive local supply markets for goods and services even at the local level.</td>
<td>• Placing orders for goods and services.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Most purchasing officers are involved in this category.</td>
<td>• Processing purchase orders.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(continued next page)</td>
<td>• Strategies to develop purchasing expertise should reflect the low level of skill required to purchase in this category.</td>
<td></td>
</tr>
<tr>
<td>Easy to secure supply and high relative expenditure</td>
<td>• Goods and services in this category are commonly used across the State often in high volumes but with sometimes low value individual transactions.</td>
<td>• Requires a high level understanding of the nature of demand patterns including associated management information, the strategies of suppliers and tactics for getting the best deal from the market.</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>• There are often whole-of-Government or whole of agency arrangements in place for the purchase of these types of goods and services.</td>
<td>• Significant purchasing skills are required to establish and manage supply arrangements (for example, setting up travel contracts).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Processing transactions in this category can be high volume as well as repetitive and standard in nature.</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>• Goods and services in this category are those that are widely and</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(continued next page)</td>
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<td></td>
</tr>
<tr>
<td>Nature of Purchasing</td>
<td>Characteristics</td>
<td>Types of Skills Required</td>
<td>Likely Level of Skill Required</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>-------------------------------</td>
</tr>
</tbody>
</table>
| Difficult to secure supply and low relative expenditure                           | • Goods and services in this category are usually highly specialised and there are often very few potential suppliers.  
• Annually, departments/agencies purchase very few goods and services in this category.  
• Very few officers are involved in purchasing in this category and purchasing decisions are often made by people with technical expertise rather than purchasing skill.  
• There is a tendency in this category for technical experts to prefer known products and to overlook or write specifications that effectively exclude local suppliers.  
• Typical goods and services in this category include those that are specialised, technical (sometimes tailor-made), possibly one-off purchases which may be essential. | • Strategies to develop purchasing expertise should focus on problem solving skills and a high level of understanding of potential supplier capability, effective supplier performance and relationship management, development of contingencies and demand management within the department/agency. | High                           |
| Regularly used and which require localised access and/or service.                | • Generally, there are mature and competitive supply markets for goods and services in this category. The category is serviced by only a few large suppliers, often with extensive distribution networks.  
• Typical goods and services in this category include office supplies, computer hardware, base grade recruitment, fuel, motor vehicle leasing, hospital consumables, scientific equipment, concrete and facilities management. |                                                                                                     |                               |
Some examples of specific purchasing skills and knowledge

**BUSINESS SYSTEMS SKILLS AND KNOWLEDGE**

1. Understand the objectives of the department/agency.
2. Align purchasing objectives with department/agency objectives.
3. Understand and map the spending patterns for goods and services of the department/agency.

**SUPPLY MARKET SKILLS AND KNOWLEDGE**

1. Identify products and services critical to the business needs of the department/agency.
2. Find valid supply market information from reliable sources.

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<th>CHARACTERISTICS</th>
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</tr>
</thead>
</table>
| Difficult to secure supply and high relative expenditure | • Goods and services in this category are often complex and normally include a “bundle” or “package” of services and associated goods.  
• There are a small proportion of suppliers in this category.  
• The goods and services in this category are often critical to the service delivery of department/agency.  
• Relationships with suppliers are often long term. Supplier attitudes to the department/agency as a customer are often crucial to the value that the customer agency will derive from the delivery of the item.  
• The effectiveness of supplier relationship or contract management will largely determine the value secured by the agency from items in this category.  
• Bidding costs for contracts in this category are substantial for both the buyer and the supplier in this category.  
• Very few officers are involved in purchasing in this category and purchasing decisions are often made by those officers responsible for program/output delivery. | • Requires skills relating to analysing organisational needs, supply market analysis and an understanding of potential supplier capabilities, effective supplier performance and relationship management. | Very high |
3. Analyse supply markets for specific goods and services.
4. Develop databases of supply market profiles and analyses.
5. Recognise the factors that shape the supply markets for specific goods and services.
6. Describe how a particular market works.
7. Develop appropriate purchasing strategies to obtain the best outcome from particular supply markets.
8. Identify potential sources of supply.

CUSTOMER SKILLS AND KNOWLEDGE
1. Manage demand for goods and services with value added purchasing solutions.
2. Understand the needs of the end user of the goods and services being purchased.
3. Manage relationships with the end users for the goods and services being purchased.
4. Identify how to use purchasing/contracting strategies to improve outcomes with suppliers.
5. Identify sources of risk associated with purchasing objectives.
6. Assess the likelihood and impact of the risks associated with the purchase and the goods and services.
7. Manage the risks.

SUPPLIER RELATIONSHIP SKILLS AND KNOWLEDGE
1. Describe the sources of cost and supplier's pricing strategies for particular goods and services.
2. Perform whole-of-life costing.
3. Adopt appropriate strategies to manage costs associated with goods and services over the period of the contract.
4. Understand how key products are made by the supplier and where key components come from.
5. Promote the department/agency as a valuable customer to key suppliers.
6. Negotiate with suppliers.
7. Select appropriate suppliers.
8. Measure supplier performance using a variety of methods.
9. Develop the capability of the supplier.
10. Manage relationships with suppliers according to their importance to the department/agency.
11. Understand how important the department/agency is as a customer to its suppliers and the supply market.

CONTRACTING SKILLS AND KNOWLEDGE
1. Understand legal and contractual relationships between buyers and sellers.
2. Select the most appropriate contractual form for a particular purchase.
3. Choose appropriate contractual controls.
4. Select suitable contractual terms and conditions.
5. Prepare offer documentation.
6. Develop evaluation criteria.
7. Evaluate offers in a systematic way (for example, spreadsheet analysis).
8. Apply contractual controls.
10. Initiate action to manage supplier performance during the contract.
11. Manage claims and variations to the contract.
12. Amend contract strategy on an ongoing basis.

Importantly, the level (for example, “basic”, “intermediate” and “advanced”) to which a particular skill is required needs to be determined. For example, for goods and services which are difficult to secure supply and are
have a high relative expenditure, a department/agency may determine that a key skill is “developing the relationship with suppliers” and it is critical, therefore, that officers managing such a purchase possess an advanced level of skill.

For each category of goods and services and for each individual purchase that is determined a significant purchase, the department/agency needs to select the specific skills and the level to which they are required.

3. What purchasing skills does the department/agency possess?

The department/agency needs to determine the purchasing skills it currently possesses to know whether it is capable of performing its purchasing activities effectively and efficiently. If the skills that the department/agency possesses are inadequate compared to the skills that the department/agency needs then there is a skills deficiency. The department/agency also needs to determine if skills are being used optimally.

How to assess skills

An effective method of determining the purchasing skills a department/agency possesses is conducting a “skills assessment” (also referred to as a “skills audit”). A skills assessment identifies skills and knowledge a person or organisation currently possesses.

One way of conducting a purchasing skills assessment is a ‘gap analysis’. An officer’s purchasing skills are assessed and then the department’s/agency’s skill needs for the officer’s job is assessed. The results are compared. A gap exists if the skill level required on the job exceeds the officer’s current level of skill. Once a departmental profile is completed, strategies can be developed to improve skill levels and to ensure that skills are positioned appropriately within the department/agency.

hint

Contact your department’s/agency’s human resources management or organisational development section - they may have expertise in the area of conducting skills assessments. The list of skills on pages 8 and 9 can be used as a basis for the skills survey. Queensland Purchasing has developed a skills profile survey for self-assessment. For more information contact Queensland Purchasing on telephone 1800 631 991.

4. How does the department/agency develop its purchasing skills?

If a skills deficiency exists between the skills the department/agency needs and the skills the department/agency possesses, there is a range of options that can be used to develop skill levels. These include:

Recruitment and selection

Effective recruitment and selection of staff will assist in obtaining skilled people to contribute towards the department/agency effectively achieving its purchasing objectives.

3 “Significant purchases” - are those goods and services that have been identified in the department’s/agency’s Corporate Procurement Plan as being of high relative expenditure and/or for which supply is difficult to secure.
A strategy to identify and attract qualified people into purchasing roles should, ideally, encompass a range of options. Some or all of the following activities might be considered as components of such a strategy:

- surveying the purchasing skills requirements in the organisation;
- assessing the skills/knowledge gaps;
- estimating the number of people with particular purchasing skills required;
- developing a promotional strategy to alert potentially interested individuals in and/or outside of the organisation to the possibility of working in purchasing roles;
- maintaining or establishing contact with providers of purchasing training;
- offering traineeship/work experience opportunities to enable interested individuals to experience operational aspects of purchasing;
- sponsoring formal training opportunities for employees interested in pursuing employment in purchasing;
- including in advertisements and position descriptions thorough, realistic outlines of the duties and skills/knowledge required in particular purchasing roles; and
- including a mix of purchasing specialists and individuals with operational purchasing experience on selection panels.

**hint**

Departmental “Position Descriptions” for purchasing jobs need to target the appropriate skill sets. The skills and knowledge list on pages 8 and 9 can provide a basis for determining the range of skills that a department may require.

**Training and education**

There is a range of short courses and tertiary programs available that meet the needs of Queensland Government departments/agencies. Queensland Purchasing in conjunction with Central Queensland University has developed a new eight level **Purchasing Training and Certification** system which is specifically aimed at assessing and improving the purchasing skills of officers. A handbook has been produced by Queensland Purchasing detailing the training options and assessment processes required to gain purchasing certification. More information about training courses is available at [www.qgm.qld.gov.au/buyers/training](http://www.qgm.qld.gov.au/buyers/training) or by contacting Queensland Purchasing on telephone 1800 631 991.

**Job rotation**

Job rotation increases opportunities for skills development by shifting people between different tasks for a set period of time.

Another option is seconding officers from different areas within a department/agency or from different departments/agencies. Secondments are useful for skills exchange.

**Career planning and development**

Performance planning and review discussions between a manager and a staff member can be used as an opportunity for the staff member to work towards developing new procurement related skills. Training and development plans normally form part of the performance planning and review arrangements.
Skills development services offered by Queensland Purchasing

Queensland Purchasing provides the following services to assist departments/agencies to improve their purchasing skills needs. For more information about these services, telephone 1800 631 991 (toll free).

1. Training and development advice

This advisory service is available to assist in meeting both individual and organisational needs for training and professional development.

2. Training course brokerage

There is a range of purchasing training courses, seminars and educational programs available.

3. Purchasing certification

To support the skills development of Government purchasing staff, Queensland Purchasing in conjunction with Central Queensland University has developed a new eight level purchasing training and certification program. The purchasing training and certification program has upgraded and replaced the previous non-award system of purchasing accreditation. For the first time, Queensland regions can now access purchasing training through self-paced distance education. Purchasing certification, as with the previous accreditation system, is a voluntary system.

What are the benefits of purchasing certification?

The new eight level system:

• has been designed to mirror standards of the Australian Qualifications Framework;
• reflects the importance of the role of purchasing in Government departments and agencies;
• provides staff who purchase at any level with qualifications recognised throughout Australia;
• assists in mapping out a career path from entry level to senior strategic management level for those wishing to specialise in purchasing and
• spells out the significant capabilities required for purchasing staff to support Government departments and agencies in carrying out their roles at all levels.

WHERE CAN I GET MORE HELP?

WHO CAN I TALK TO?

- Queensland Purchasing, telephone 1800 631 991 (toll free), email betterpurchasing@qp.qld. gov.au
- Human resource management or organisational development officers in your department/agency.
- Procurement/purchasing officers.
- State Purchasing Policy Hotline, telephone 1800 631 991 (toll free).
- Central Queensland University for information about the undergraduate procurement programs - telephone Ken Dooley on 4930 9559 or email k.dooley@cqu.edu.au.
- Griffith University for information about the postgraduate courses in procurement management, telephone Jeremy Taylor on telephone 3235 4333 or email jeremy.taylor@qp.qld.gov.au.

WHAT CAN I READ?

- The Better Purchasing Guides support the State Purchasing Policy by providing information about current best practice procurement in the Queensland Government. Refer to the back cover of this guide for a list of titles. The State Purchasing Policy and the Better Purchasing Guides are available at http://www.qgm.qld.gov.au or they can be purchased contacting Goprint on telephone (07) 3246 3399 or 1800 679 778.
Other topics in the “Better Purchasing Guides” series include:

- Advancing Government Priorities through Purchasing
- Value for Money
- Probity and Accountability in Purchasing
- Corporate Procurement Planning
- Planning for Significant Purchases
- Developing “Agency Purchasing Procedures”
- Analysing Supply Markets for Purchasing
- Developing Specifications for Purchasing
- Inviting Offers
- Evaluating Offers in Purchasing
- Developing and Managing Arrangements with Suppliers
- Negotiation in Purchasing
- Engaging and Managing Consultants
- Prequalifying Suppliers
- Managing and Monitoring Suppliers’ Performance
- Industrial Issues in Supplier Selection and Management
- Environmentally Friendly Purchasing
- Purchasing Communication and Information Goods and Services
- Conduct of Sample Surveys by Queensland Government Agencies
- Leasing in the Queensland Public Sector
- Intellectual Property in Purchasing
- Managing Complaints about Purchasing
- Developing Skills for Purchasing
- The “10% Training Policy” for Queensland Government Building and Construction Contracts
- How to do Business with the Queensland Government (Suppliers’ Guide)
- How to do Business with the Queensland Government (Regional Suppliers’ Guide)
- Disposal of Government Plant and Equipment
- The Queensland Government’s Quality Assurance Policy

All Guides are available at http://www.qgm.qld.gov.au or from Queensland Purchasing on telephone 1800 631 991.