Procurement Centres of Excellence
Background

CASME RoundTable meetings on procurement centres of excellence (COEs) were held in Dublin, Philadelphia and San Francisco, and Virtual RoundTable meetings were conducted in Asia, Australasia and North America during a period from February 2016 to January 2017. The following main topics were discussed:

- Definition, strategy and scope
- Benefits
- Skill requirements
- Knowledge management
- Performance measurement
- Communication
- Stakeholder engagement
- Future trends.

This Digest provides the key points, good practices and insight into future trends identified by CASME members around the world. Full notes from each meeting are available on the subscriber-only Resource Centre.

Definition, strategy and scope

- Centres of excellence (COEs) are specialist teams that provide process and technical support to Procurement. The structure of COEs varies, with no single model being predominant. The geographic scope of a COE's responsibilities and services may be global, regional or local.
- The main objectives for implementing a COE are to centralise, standardise and improve strategic sourcing activities and to provide support to procurement teams, enabling more effective and efficient purchasing.
- The scope of services provided by COEs can be extensive. The types of activities performed by COEs are listed below, in order of prevalence:

1. Strategic support for category managers
   - Assisting with sourcing strategy development, including spend analysis, financial analysis, cost modelling, category research, market intelligence, benchmarking
   - Managing the contract database, supporting contract development
   - Supporting special projects, performing project management and change management
   - Supporting RFxs, e-Sourcing and e-Auctions.

2. Management of strategic procurement initiatives
   - Defining best practices and programmes to achieve best-in-class targets
   - Administering supplier relationship management (SRM) and supplier development programmes
   - Managing corporate social responsibility (CSR), sustainability and supplier diversity programmes
   - Co-ordinating risk management programmes
   - Establishing and maintaining information repositories used to capture procurement insights
   - Conducting innovation initiatives.

3. Procurement governance activities
   - Communicating and promoting the role and value of Procurement
   - Defining roles and responsibilities within Procurement, performing programme management and overall departmental governance
   - Capturing, tracking and reporting Procurement's performance against targets and key performance indicators (KPIs)
   - Controlling procurement policies and procedures, managing compliance and audits.
4. Training and capability development
   - Managing talent within Procurement, co-ordinating training and development programmes
   - Implementing procurement transformation programmes, best practices and continuous improvement initiatives.

5. Refining, standardising, optimising, centralising and/or outsourcing operational and tactical procurement processes

6. Systems management
   - Managing the IT infrastructure, systems and processes used by Procurement
   - Establishing and managing a common taxonomy of category spending to support spend analytics and process automation.

Benefits
   - Using a centralised shared services model provides economies of scale in the delivery of certain tactical and operational procurement functions, as well as support services for category managers, enabling them to be more strategic, efficient and effective.
   - COEs can assist with resource optimisation by moving specialists into a central location and transforming processes through standardisation.
   - Having a core team of procurement experts eliminates the need to train all procurement personnel, especially when some skills may only be needed occasionally. Complex processes such as cost modelling or data analysis are more efficient when performed by experienced COE specialists.
   - The expert financial analysis and valuable cross-category insights provided by COEs can help category managers to develop cost models and understand those of key suppliers, in order to conduct successful negotiations and establish cost improvement initiatives.
   - Category insights are gathered by COEs from external sources such as Beroe, Evalueserve, Gartner, IBISWorld, The Smart Cube and other benchmarking sources. Analysis of suppliers’ financial status is often assisted by third-party providers such as Credit2B, Dun & Bradstreet and Elementum.
   - Specialist groups in some companies help internal stakeholders and suppliers to improve process capabilities, and use good practice principles such as Six Sigma and lean manufacturing to improve efficiencies and reduce waste.

Skill requirements
   - The experience required within a COE vary according to individuals' areas of responsibility; for example:
     - Purchasing and procedures, for personnel working on process and systems development
     - Technical category experience, for those working on supplier development
     - Financial expertise, for spend analysis and measuring the cost savings delivered by Procurement
     - Management experience, for governance activities
     - Extensive procurement expertise, for training roles.
   - COE teams need to have skills in communication, selling and negotiating, as well as subject-specific knowledge and credibility.
   - Procurement category managers may be seconded to the COE on a part-time basis or for specific projects. In some organisations, a list of subject matter experts (SMEs) within Procurement is maintained, and these specialists deliver training to procurement personnel in partnership with the COE.
   - COEs are often responsible for assessing the maturity of the procurement organisation and measuring the extent and success of transformational efforts. Such assessments may be carried out with assistance from third parties such as Accenture, A.T. Kearney, The Hackett Group, or by using the CIPS ROSMA Performance Check.
   - Lean COE teams need to be skilled at prioritising project selection and allocating their time and effort effectively to be as efficient as possible and ensure they provide sufficient value to the organisation.
   - COEs typically use communication skills to provide information and training via webinars, manuals, self-service tools, lunch-and-learn sessions, presentations, roadshows and centralised information repositories.
Knowledge management

- Procurement COEs gather, store and maintain essential market intelligence, benchmarking data, training information and project data in central knowledge-sharing repositories, portals or project management systems for current and future access, preventing the need for repeated and costly information gathering.
- The challenge for COEs is ensuring that users of procurement systems are aware of the data input and quality requirements, and the benefits of accurate input for conducting effective analysis and establishing a strong negotiating position.
- Issues arise if no-one is assigned to organise and maintain the data and files in procurement systems using an effective taxonomy. It is essential to apply naming protocols and formatting standards for stored documents, as well as discipline for enforcing the standards. Enterprise systems are used to store spend data, for which a standard taxonomy is also required, such as UNSPSC or internal codes.
- Contract management software being used for developing contracts with pre-defined templates include Apptus, Coupa, EMC's Documentum and Oracle.

Performance measurement

- The success of a Procurement COE is measured by how well it can support business partners. These metrics are categorised as being:
  - Direct performance measurements of activities performed or managed by the COE, such as number of supplier audits completed, cost models developed, RFx issued or PO cycle time.
  - The extent to which the COE supports Procurement or business results, such as cost reduction, reduced spend or increased savings and improved quality. The COE's impact on meeting these criteria is not isolated, and it is more challenging to calculate its incremental contribution to Procurement's overall results.
- It may be possible to demonstrate the COE’s effectiveness by measuring the increase in the amount of spend managed per full-time equivalent (FTE) in Procurement, or by improvement in the capacity and results achieved by category managers.
- Some organisations attempt to measure the return on investment (ROI) of the COE, and may use a ratio of between 6:1 and 8:1 to justify the business case for additional COE personnel.
- Surveys are used to gather customer feedback, from which metrics can be developed and tracked through scorecards. The most important measurement of a COE’s value is the demand for its services by stakeholders within Procurement and business units. If the demand for COE support is high, the need to justify its existence by complex metrics is reduced.

Communication

- Newsletters are used as a means of communicating information and anecdotal examples regarding the value of COEs and their achievements, as well as their functions and capabilities and the types of support and training available.
- Success stories can be published on Procurement’s internal website or the company intranet, helping business stakeholders to understand the complex activities sometimes involved in generating value. Additionally, because such efforts often involve cross-functional teams, success stories generate recognition for all the participants.

Stakeholder engagement

- The primary stakeholders of COEs are within Procurement, although other groups may use their services, such as HR, Accounts Payable and Finance, sustainability and diversity teams, and senior management. The COE’s relationships with non-procurement stakeholders are often established through relationships with category managers; therefore, maintaining relationships with procurement teams is important.
- Obtaining top-down support for the COE is essential in the engagement and management of stakeholders.
- Stakeholder mapping is a used to identify areas where there is the greatest potential for the COE to provide value and to consolidate or synchronise resources to increase efficiencies and value.
- Stakeholder engagement is best accomplished by regular attendance at procurement team meetings. A senior COE representative should participate in the CPO’s management meetings to report on the COE’s efforts and progress, obtain feedback, and learn about future procurement initiatives which the COE can help to support.
Future Trends

- COEs will continue to evolve from being a support team to becoming a strategic function, increasingly providing input in strategic planning and process improvement through data analysis and market intelligence.
- The role of COEs will increase in importance as companies aim to create best-in-industry approaches to procurement. COEs will be challenged with enabling a proactive approach to the priorities of risk, compliance and speed to market.
- Technology will provide a catalyst for maximising opportunities, managing data and developing the COE’s role. Increased automation will impact the size, focus and role of COEs.
- SRM programmes with COE support will mature to provide greater value through long-term relationships, increased innovation from suppliers, joint process improvement, and companies becoming suppliers’ customers of choice.

Resource Centre Links

The following are links to the full meeting notes for each region:

- Asia Virtual RoundTable, May 2016
- Asia Virtual RoundTable, Jan 2017
- Australasia Virtual RoundTable, Jul 2016
- North America Virtual RoundTable, Oct 2016
- Europe RoundTable, Dublin
- North America RoundTable, Philadelphia
- North America RoundTable, San Francisco.
**Global Digests** provide valuable category and strategic insights to CASME members, as part of a much wider subscription service that is delivered to hundreds of corporate indirect procurement teams worldwide.

CASME connects the authentic experiences and perspectives of its global membership network, comprising thousands of procurement professionals, and delivers information services that enrich personal knowledge and team performance.

With more than 200 events, and 1,000+ insight materials and benchmarking reports to choose from, CASME is a great resource for networking, learning and personal development.

Our members actively benefit from:

**Unrivalled Events and Networking**
- RoundTables
- Virtual Events (Virtual RoundTables, Category SpotLights, Panel Discussions and Guest Webinars)
- Link-Ups

**Comparative Insights and Intelligence**
- Notes and Recordings from events
- Global Digests
- Good Practice and Category Strategy Guides
- ToolKits

**Unique and Authentic Benchmarking**
- Procurement Examiners extended studies and snapshots
- Best In Class
- Deal BenchMarkers

What's more, our impartial services are delivered across 24 indirect procurement categories and practice areas, without input or influence from suppliers or sponsors.

**Already a member?**

Log in to the CASME Resource Centre to register for an event, personalise your Dashboard, or print your CPD/CEH certificate as proof of accredited CIPS/ISM/PASIA professional learning hours.

Talk to your local CASME client services representative to discover how we can help.

**Not a member?**

Visit casme.com for more information, and Request a Demo or Contact Us to discover how CASME membership will provide vital information to support the achievement of your strategic objectives and category plans.

---

**Important**

These notes are a summary of the facilitated discussions held between the delegates various meetings. We recommend that any references, particularly to legislation, or recommendations contained in these notes are cross-checked by the reader in order to verify their accuracy prior to being acted upon. Any third party organisations named in this document are not recommendations but are examples of companies mentioned during the meetings that might be considered when tendering for appropriate goods or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed may also provide similar goods or services.

Any intellectual property (IP) (including, but not limited to, copyright and database rights) in this work is vested in CASME, which is the trading name of Market Focus Research Limited, (CASME or Market Focus), and the document is issued in confidence for the purpose only for which it is supplied. It must not be reproduced or distributed in whole or in part in any material form or medium except under an agreement or with the consent in writing of CASME and then only on condition that this notice is included in any such reproduction. Full terms and conditions can be accessed at the CASME Resource Centre: casme.com.