

Best practices for the strategic management of public procurement 22 steps to success

PROCUREFINLAND



MINISTRY
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This report was produced as part of the joint Procurement Finland action plan of the Ministry of Finance and the Association of Finnish Local and Regional Authorities.

The full report has been published in the Government's publication archive. The report and materials associated with it are also available at hankintasuomi.fi.

This report was produced in close cooperation by Solita Oy's working group consisting of Tero Saarenpää, Hanna Pajunen-Muhonen (Innodea Oy) and Lauri Vihonen (Leader's Beacon Group Oy).



Foreword

More and more frequently, external resources account for a major portion of public organisations' costs. Strategic management of procurement refers to a set of actions at the organisation level that enables and promotes the achievement of contracting authorities' strategic objectives when using external resources and drawing on the potential of the supplier market. Strategic management of procurement plays a key role in promoting the effectiveness, sustainability and responsibility of public funds use.

The aim of this report was to increase understanding of the factors and actions that promote the strategic management of procurement. It also strives to make the benefits of developing the strategic management of public procurement visible. This report is part of the joint Procurement Finland action plan of the Ministry of Finance and the Association of Finnish

Local and Regional Authorities aiming to promote the sustainability of public finances and the societal impact of public procurement. The report follows on the national public procurement strategy and promotes its implementation in contracting authorities. Producing this report was a measure initiated by Procurement Finland's Strategic management theme group.

The working group identified good practices and operating models for the strategic management of procurement and bundled them into 22 packages of measures, or best practices for the management of public procurement, for contracting authorities' use. The descriptions of the best practices aim to reach especially organisations' managers responsible for directing procurement as well as their management team members.

In addition to the report, a separate presentation on the strategic management of procurement (ppt, pdf) has been produced for contracting authorities. This presentation material includes an executive summary as well as concise descriptions of the framework for the strategic management of procurement and best practices.

The finished report is a comprehensive and unique document, and all those of us who participated in producing it have reason to be proud of the successful outcome. We would like to extend our warmest thanks to the working group behind the report, which included Tero Saarenpää (Solita Oy), Hanna Pajunen-Muhonen (Innodea Oy) and Lauri Vihonen (Leader's Beacon Group Oy). Warm thanks also go to all those who participated in the interviews for their valuable input not only in the interviews but also at the workshop organised in connection with the report and when commenting on the report.

We hope that managers and those in charge of procurement in public organisations will genuinely adopt these best practices as part of their work and daily life of their organisations.

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[Project steering group](#)

Katariina Huikko, Director of Partnership,
Southwest Finland wellbeing services county

Tuure Marku, Director of Procurement,
Tuomi Logistiikka Oy

Olli-Juhani Piri, Senior Specialist,
Ministry of Finance

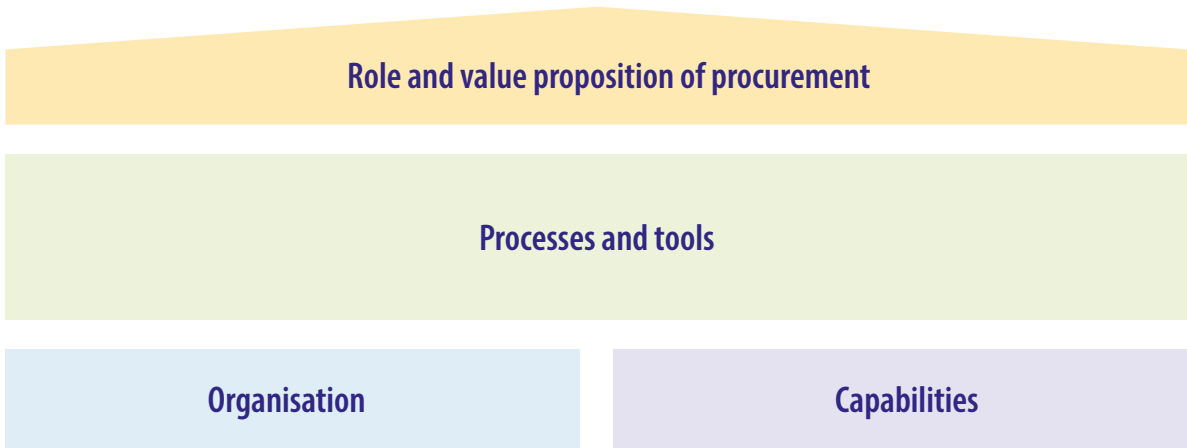
Janina Riutta, Procurement Manager,
City of Kerava

Maria Röykkä, Programme Manager,
Ministry of Finance

What is strategic
management of
procurement and
what are its benefits?

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- A set of actions at the organisation level that helps the organisation achieve its strategic objectives by using external resources.
 - Plays a key role in promoting the effectiveness, sustainability and responsibility of public funds use.
 - The added value of procurement increases when procurements are used as a tool for achieving the organisation's strategic objectives.
 - Total costs will be reduced by acting more efficiently and making better use of the supplier market's potential.
 - Economic added value is created when, by applying best practices, 'you achieve more with less'.

What is the framework
for strategic
management of
procurement and
how can I use it?



Build a foundation for the development work with the best practices of the thematic area Capabilities and organisation.

Select the most suitable methods for your organisation's development phase and context among those listed in the thematic area of Processes and tools.

Follow the best practices in the role field of the thematic area Roles and value proposition throughout the development cycle.

Describe the goal state of development and management using the best practices in the value proposition field of the thematic area Role and value proposition.

Best practices
for the strategic
management of
public procurement
– 22 steps to
success

Role and value proposition of procurement

- Be bold, set targets and inspire the rest of the organisation to pull together
- Account for the customer's and end user's perspectives in everything you do
- Turn procurement into an enabler and something that concerns the entire organisation
- Be a strategic partner for internal stakeholders
- Be a desirable partner for suppliers and service providers

Processes and tools

- Make procurement visible: invest in knowledge base management and communication
- Draw up together a procurement strategy that informs the activities and use procurement as a tool for achieving the organisation's objectives
- Describe the strategic and enabling processes of procurement and define roles and responsibilities
- Link procurement processes to the organisation's management processes
- Manage procurements through categories
- Define metrics that support the strategic management of procurement and monitor them
- Develop and use analyses and tools that support the strategic management of procurement
- Digitalise everything that can be digitalised
- Build up knowledge of the supplier market and step up interaction with it
- Actively develop the supplier market and improve its dynamism
- Network and co-design with other contracting authorities

Organisation

- Ensure the commitment of senior management
- Devise a strategic management and steering model for procurement that is a good fit for the organisation

Capabilities

- Make sure that the operating culture encourages development
- Build up procurement capabilities in the procurement organisation
- Build up procurement capabilities at the organisation level
- Make sure your personal competence is up to date

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Thematic area of Capabilities

Capabilities refer to a person's or an organisation's ability to carry out their tasks and successfully achieve the goals set for them.

Capabilities may relate to different areas, including the staff's personal and professional capabilities as well as organisation level capabilities.

In particular, the following capabilities were highlighted:

- personal and professional capabilities of the person responsible for procurement
- organisation level capabilities of the procurement organisation
- personal and professional capabilities of persons working in the procurement organisation
- organisation level capabilities of the entire organisation

1. Make sure that the organisation culture encourages development

An organisation culture that encourages development creates an operating environment for procurement that

- encourages, supports and inspires the personal and professional development of the staff and joint development.
- promotes innovation, bold experimentation with new practices, continuous improvement and the staff's commitment to joint development.
- creates a positive mood and a can-do atmosphere in which people have licence to learn, also through their failures.

- » A positive, encouraging atmosphere promotes the staff's development and commitment.
- » Opportunities for professional development, work motivation and satisfaction improve.
- » The impact of procurement is enhanced, and the set goals can be achieved.
- » The performance and efficiency of procurement processes improve.

Practical tips

- An organisation culture that encourages development starts with the senior management – try to promote this idea in your organisation.
- Attract the attention of the procurement organisation's management to encouraging development.
- Ensure sufficient support and resources for development. For example, focus on training, coaching and mentoring, and set aside sufficient personnel and time resources for development.
- Create a culture of bold experimentation and adopt an explorative approach. Set the aim at your organisation providing positive encouragement for bold experimentation with new ideas and practices.
- Focus on coaching and encouraging management. Make sure that the organisation's management supports the staff's potential and ability to develop.
- Create an inspiring can-do atmosphere and let others catch your enthusiasm and your interest in new experiments.

2. Build up procurement capabilities in the procurement organisation

Procurement capabilities refer to the competence, skills, methods and systems required to manage and implement procurement processes.

The strategic level capabilities of procurement in the public sector are no different from those required in the business world.

- » More efficient procurement processes and better internal cooperation.
- » Resources can be allocated appropriately.
- » Procurement takes on a stronger strategic role.
- » Improved possibilities for using new technologies and tools.

Practical tips

- Focus on laying the foundation for strengthening the procurement organisation's capabilities carefully.
- Develop the procurement organisation's competence systematically, start with identifying competence needs and mapping current competence, and proceed with determination.
- Make the procurement expert's role more attractive and think of ways of ensuring stronger commitment.
- Inspire the procurement organisation to engage in continuous learning and improvement of their capabilities.
- Focus on training and promoting learning, collaborate and find partners.
- Make sure that your organisation has both strategic procurement expertise and top expertise in public procurement legislation. Draw up a procurement expert's career path in your organisation.
- Ensure that the organisation has sufficient resources for performing the basic tasks and that the procurement organisation is not overloaded when you invest in developing capabilities.

3. Build up procurement capabilities at the organisation level

Outsourcing accounts for such a large share of public organisations' resources that organisation level procurement capabilities are a precondition for success in the contracting authority's role.

In cities, municipalities and wellbeing services counties, the organisation level perspective also includes political decision-making.

- » General procurement competence at organisation level improves.
- » The possibilities and boundaries of procurement become clearer for the entire organisation.
- » More efficient procurement processes, less scheduling pressures.
- » Successful procurement that meets the needs with better outcomes.

Practical tips

- Define the contracting authority's competence required at the organisation level, in other words the basic understanding of procurement and public procurement legislation that persons making procurements and drawing up contracts in the organisation need.
- Describe the impact potential of procurement activities and procurements and help the rest of the organisation understand viewpoints relating to the supplier market and procurement life cycle.
- Make sure that the organisation's strategic objectives are put at the centre and highlight the link between the objectives and the impact potential of procurement.
- Develop expertise relevant to procurement and the supplier market collectively and ensure the involvement of especially those who can exert influence as managers.
- Remember differences relating to substance – rather than just creating a single progress model that suits everyone, take into account the operational differences between sectors or business areas.
- Ensure continuity in building up procurement competence at organisation level.

4. Make sure your personal competence is up to date

In public organisations, the person responsible for the procurement organisation plays a key role in promoting the strategic management of procurement.

This person must have

- sufficiently strong expertise in strategic procurement.
- adequate understanding of public procurement legislation and its practical application.

Practical tips

- Read, investigate and keep yourself informed about developments in the field.
- Develop your competence skills – focus especially on communication and change management skills.
- Be open to new and continuous learning.
- Join the communities and networks of the field.
- Practise what you have learned, share your knowledge with your team.
- Acquire basic knowledge of the potential for digitalisation in procurement.
- Get professional sparring support, discuss and consider issues together with a competent professional.

- » The strategic management of procurement develops at the organisation level.
- » Stronger trust and commitment to new operating methods.
- » Achieving the goals set for procurement becomes easier.
- » A positive attitude towards development catches on, and development becomes self-perpetuating.

Organisation

- Ensure the commitment of senior management
- Devise a strategic management and steering model for procurement that is a good fit for the organisation

Thematic area of Organisation

The content of this thematic area was defined based on the organisation's general, societal and business perspectives.

Good practices in organisations interviewed for this report focused particularly on issues relating to the societal and business perspective.

As keys to success in the strategic management of procurements, the following were emphasised, in particular:

- The role and commitment of the organisation's senior management (including both administrative management and political leadership).
- Creating the most suitable management and organisation models for procurement in different organisations (including procurement processes, actors and roles).

5. Ensure the commitment of senior management

Ensuring the senior management's commitment is one of the success factors for the strategic management of procurement: without their interest and support, development will be a struggle.

Procurement should be represented in the organisation's management team.

The head of procurement may be a member of the management team, or responsibility for procurement may be assigned to one of the management team members, depending on the significance of this function for the organisation.

- » Procurement has the authority to get things done.
- » The potential of procurement is tapped at the strategic level.
- » Internal partnership is strengthened. Procurement is seen as a strategic activity that produces value.

Practical tips

- Make sure that the management team includes a person responsible for procurement. Also ensure that this responsibility is included in the job description of the role in question.
- Identify what senior management means in your organisation.
- Make sure you have received a mandate from the management team. Have the procurement plans and schedules approved by the management team.
- Draw up and implement a plan for enabling and maintaining senior management's commitment. Describe the goal, identify the means, and implement the plan.
- Communicate about successes and lessons learned. How has procurement supported the implementation of the strategy and important decisions, what benefits has it brought, and what has been learned?

6. Devise a strategic management and steering model for procurement that is a good fit for the organisation

The management and steering model defines the processes of planning, decision-making and implementation of procurements and lays the foundation for efficient management and steering of procurement.

The model is a good fit for the organisation when it

- supports the achievement of the organisation's strategic objectives
- describes how the organisation organises, among others, the roles and responsibilities of strategic procurement
- describes the planning and decision-making processes
- defines reporting and monitoring mechanisms.

Practical tips

- Ensure that the management understands the importance of procurement.
- Make sure that the heads of sectors or areas of expertise, in particular, understand the significance of procurement for the organisation and are involved in drawing up the management and steering model.

- Document the model in the same way as other similar processes. Describe the main processes and actors of the model in the same way as the organisation's other similar processes.
- Agree on reporting practices and ensure that the produced information is used. Draw up standardised and formal reporting templates. Make sure the reports are discussed regularly in steering forums.
- Base management and development work on knowledge. Make sure that the systems produce the information you need for management and steering.

- » Clearer roles and responsibilities at all levels of the organisation.
- » Cooperation with stakeholders is more straightforward, and clearer management of procurements is enabled.
- » An effective management and steering model enables successful and impactful procurement.

Processes and tools

- Make procurement visible: invest in knowledge base management and communication.
- Draw up together a procurement strategy that guides the activities and use procurements as a tool for achieving the organisation's objectives.
- Describe the strategic and enabling processes of procurement and define roles and responsibilities.
- Link procurement processes to the organisation's management processes.
- Manage procurements through categories.
- Define metrics that support the strategic management of procurement and monitor them.
- Develop and use analyses and tools that support the strategic management of procurement.
- Digitalise everything that can be digitalised.
- Improve knowledge of and step up interaction with the supplier market.
- Actively develop the supplier market and improve its dynamism.
- Network and co-design with other contracting authorities.

Thematic area of Processes and tools

This thematic area contains the range of methods by which the interviewed organisations have promoted the strategic management of procurements.

Viewpoints and goals:

- Achieving organisation level objectives (municipality, wellbeing services county, agency, ministry, etc.) through procurement.
- The role and strategic position of procurement in the organisation (from focus on competitive bidding towards a more integrated approach that produces added value for stakeholders).

7. Make procurement visible: invest in knowledge base management and communication

Procurement is visible when

- different parts of the organisation are clearly aware of and able to identify the procurement process and actions.
- management, operational efficiency and decision-making relevant to procurement improve.

Visibility is based on procurement's role as an enabler of operational change and development and as a partner to the organisation's management

Procurement is part of the organisation's core business and the overall process, not only a separate part of the organisation.

Practical tips

- Consciously and systematically increase the visibility of procurement in the organisation's different forums.
- Steer procurement as part of the organisation's annual calendar.
- Work in regular and active cooperation with the management.
- Produce up-to-date procurement information to support decision-making and development.
- See procurement as an enabler and inform stakeholders of it.
- Communicate concisely to management and the entire organisation.

- » The significance of procurement for the organisation is understood better.
- » Procurement has more visibility in the organisation.
- » Development of the supplier market is enabled.
- » The outcomes and impact of procurements can be verified.

8. Draw up together a procurement strategy that guides the activities and use procurement as a tool for achieving the organisation's objectives

A procurement strategy that guides activities

- describes the decisions, objectives and measures through which cost-effective procurement supports the organisation in achieving its objectives.
- supports the management system of procurement
- takes into account the perspectives of end users and customers, describes processes, and identifies changes in the operating environment
- has been drawn up together with key stakeholders of procurement, and has sufficiently broad approval of the organisation's management

Practical tips

- Base the goals of the procurement strategy on the organisation's strategy.
- Engage the organisation, senior management and policy-makers, and other stakeholders if necessary, in preparing the procurement strategy.
- Describe the most important development areas and measures concretely and realistically.
- See to the basics first, do not take too large a bite at once.
- Also identify and set aside the resources needed to implement the strategy.
- Ensure that the procurement strategy has sufficiently broad approval of the organisation's management.

- » A concrete strategy helps day-to-day work and genuinely guides the activities.
- » Allocating resources is easier when key development areas have been highlighted.
- » The organisation is committed to the strategy.
- » Procurement genuinely supports the organisation in achieving its objectives.

9. Describe the strategic and enabling processes of procurement and define roles and responsibilities.

Procurement is part of the organisation's strategic management when the nature of its operations and its development goals guide the way it is organised and the way it operates and develops its activities.

High-quality and impactful procurement is underpinned by a common procurement process.

- The processes describe how procurement is managed, decisions are made, new policies implemented and strategic objectives monitored.
- The actors' roles and responsibilities are described at the level of experts and the management team, both in procurement and operational units.

Practical tips

- Describe the organisation's strategic procurement management processes.
- Procurement is part of the organisation's objectives and management when the strategic procurement management processes are linked to the organisation's corresponding processes.
- Identify the actors of the procurement processes and ensure that they operate in line with the agreed roles and responsibilities.
- Ensure the senior management's support and make sure that procurement is managed in keeping with the strategic procurement management processes.
- Assess the effectiveness of procurement processes on a regular basis.

- » Procurement is in line with the organisation's objectives and its impact is enhanced.
- » Procurement serves its customers better and works more efficiently.
- » The risks associated with procurement and suppliers are managed better.
- » Procurement improves stakeholder cooperation and promotes innovative procurements.

10. Link procurement processes to the organisation's management processes

When procurement processes are linked to the organisation's management processes

- procurement implements the organisation's strategy and objectives appropriately and with impact.
- procurement is seen as a tool for achieving the organisation's objectives.

The organisation's key management processes are related to strategic planning, operative management and financial planning and monitoring.

- » Clear roles and responsibilities make for more efficient operation.
- » Procurement has a higher impact because it supports the achievement of the organisation's objectives.
- » The organisation improves its understanding of procurement and operates in line with the agreed operating models.

Practical tips

- Link procurement to operational and financial planning and monitoring in practice.
- Integrate the procurement plan and decision-making authorities. Provisions on authorities are relevant to not only procurement decisions but also making commitments.
- Standardise the operational monitoring and reporting models.
- Keep management informed of the overall situation.
Produce sufficient and timely information.
- Monitor the implementation of plans and achievement of objectives. Also monitor the success of individual procurement projects.
- Learn from successes and consider what could have been done differently.

11. Manage procurements through categories

Category management is a business-based and strategic approach to developing procurement, improving its impact, reducing risks and producing cost savings.

- a basic tool for the strategic management of procurement
- cooperation between procurement and business units at the centre
- often carried out in different ways in small and large organisations.

- » Impactful, responsible and cost-effective procurement.
- » Simpler and more straightforward management.
- » Procurement is managed as a whole.
- » Procurement risks are managed better.

Practical tips

- Ensure a customer-oriented approach in category management.
- Accept the dynamic nature of category management. Be prepared to vary the category management model by unit or sector.
- Update the strategies for the categories regularly. Also assess regularly the category structure and operating models.
- Plan the transition to the category model carefully.
- Ensure that the roles and responsibilities of category management are clear. Clear roles and responsibilities enable smooth and efficient planning and implementation of category management.
- Engage stakeholders in the category work and participate in various sectors' steering group work personally.

12. Define metrics that support the strategic management of procurement and monitor them

Defining and monitoring metrics are an important part of the strategic management of procurement, as metrics can be used to assess how well procurement supports the organisation in achieving its objectives.

- Metrics are part of the performance management of procurement.
- They make it possible to manage procurement as an integrated whole.
- The strategic management and operational activities of procurement are seamlessly interlinked.

Practical tips

- Describe what you need to measure and how, and select metrics that meet these needs.
- Define the concepts related to the metrics and their meanings.
- Ensure that the data produced by the metrics are reliable.
- Identify issues outside the scope of procurements that you cannot influence.
- In addition to conventional metrics of procurement, also measure the development of procurement and its successes.
- Ensure that the metrics are comparable between organisations: this enables the sharing of best practices.

- » Professional and fact-based development of procurement becomes possible.
- » Procurement supports the organisation in achieving its objectives.
- » Procurement can be managed consistently, no matter how large the organisation.
- » Good practices can be shared between organisations.

13. Develop and use analyses and tools that support the strategic management of procurement

High-quality analyses and tools that support the strategic management of procurement enable

- professional management of procurement
- better assessment of the operation and performance of your work and procurement as a whole.

Analyses and tools help you understand what is happening and where.

- Are the objectives set by the organisation in its strategy achieved?
- Does procurement make an impact?
- Does procurement work cost-effectively?

Practical tips

- Identify the perspectives needed for the analyses and select tools that allow you to examine data from the selected perspectives.
- Produce analyses and reports on the benefits and changes achieved through procurement.
- Examine the entire lifecycle of a service as far as possible and understand the total cost of the service.
- Plan and project the development of analyses and tools carefully.
- Select and prioritise different areas of development.

- » Analysed data enables better decisions.
- » Shared tools improve efficiency.
- » The focus of reporting shifts to analyses that interpret data.
- » Strategy implementation and objective achievement can be monitored.

14. Digitalise everything that can be digitalised

Digitalisation plays a key role in developing the strategic management of procurement.

- One of the main themes of the procurement strategy is management by strategic knowledge, the objectives associated with it, and metrics that describe the success of knowledge management.
- Digitalisation is a key driver of change in the development of procurement and a prerequisite for its successful strategic management.
- By digitalising everything you possibly can, you enable the making of better decisions in the strategic management of procurement.
- The basic premise is that everyone uses electronic systems.

Practical tips

- Ensure that digitalisation is part of the procurement strategy.
- Digitalise everything that you possibly can.
- Use digital services to identify new practices that can enhance the impact of procurement.
- Maintain an adequate knowledge base. The knowledge base that serves the strategic management of procurement is determined by the organisation's strategy and budget – this knowledge is the basis for strategic management of the activities.
- Make use of and build up the knowledge base through analyses and tools.

- » Seeing the big picture, increasing understanding and making better decisions.
- » Sharper focus on solutions and increased labour productivity.
- » Measurably increased administrative efficiency.
- » Accumulation of the value produced by procurement as a combined effect of different factors.

15. Build up knowledge of the supplier market and increase interaction with it

The supplier market refers to the available supplier organisations from which the contracting authority can purchase different products and services.

The goal of interaction and cooperation with the supplier market is to promote open, close-knit, reliable and innovative interaction between the organisation and the supplier market.

Through interaction, better use can be made of supplier capabilities and better procurement decisions are possible.

Practical tips

- Involve the different stakeholders and sectors of procurement. The inputs, know-how and active role of the entire organisation are needed in the development work. Interaction works best when it encompasses the entire organisation's input and know-how.
- Think about the cooperation from the suppliers' viewpoint and identify suppliers with a genuine interest in it.
- Develop the cooperation over the long term throughout the contract period, not only before awarding or concluding a contract.

- » The quality of invitations to tender and tenders improves.
- » The organisation's strategic priorities are realised better.
- » Prices go down, even if this is difficult to verify.

16. Actively develop the supplier market and improve its dynamism

Actively developing the supplier market and improving its dynamism mean strategic measures aimed at establishing a supplier network that

- is sustainable and competitive
- supports the realisation of the organisation's needs and strategic objectives.

Supplier market development is proactive work based on understanding the market and active and long-term interaction with it.

Practical tips

- Select the development priorities based on your strategic procurement plan. Efforts to develop the supplier market are targeted correctly when they are based on the organisation's strategy or procurement strategy.
- Promote diversity in the supplier field proactively. Among other things, promoting dynamism may be associated with increasing diversity in the supplier field by encouraging the identification and capabilities of new innovative suppliers.
- Engage in extensive dialogue with the supplier market. Efforts to develop the supplier market may also involve in-depth dialogue with a wide range

of actors from NGOs and third-sector actors to the most significant service providers.

- Develop the supplier market by category. Engage in market dialogue and develop the supplier market by category, as the category division reflects the organisation's optimal way of dealing with the market.
- Examine supplier relationships further than for the duration of a single contract period. Think of and develop the whole, instead of taking sporadic action.
- Also develop the suppliers' capabilities. In addition, improve suppliers' public procurement competence to maximise the benefits for both parties.

- » Better tenders that meet the organisation's needs.
- » A win-win situation.
- » Proactive cooperation with the supplier market enhances economic impact.

17. Network and co-create with other contracting authorities

Networking refers to establishing contacts and building relationships with other people or organisations.

- Co-creation is a process in which different parties combine their competence and resources with the aim of developing something together.
- Organisations participating in network-based co-creation can make use of operating models and choices found good by others, rather than each organisation inventing them separately.
- This benefits smaller operators, in particular, who have more limited resources than larger ones.

- » More interesting procurement projects can be introduced to the market.
- » Collaboration promotes knowledge of the supplier market.
- » An outsider's view of developing the organisation's activities is obtained.
- » Experiences and best practices can be shared.

Practical tips

- Take advantage of Procurement Finland's large material bank, which also contains good tips and tools for developing the strategic management of procurement.
- Participate in the public administration's domestic or international development programmes (incl. KEINO Competence Centre).
- Be active, widen your perspective by working with others. Phone a friend!
- Use Hilma procurement website. Look up on Hilma if some other organisation has made or is about to make a similar procurement to the one your organisation is planning.
- Link the work to the organisation's strategy.
- Try out co-creation in innovative procurements. Network-based co-creation is particularly well suited for innovative procurements.

Role and value proposition

- Be bold, set targets and inspire the rest of the organisation to pull together.
- Account for the customer's and end user's perspectives in everything you do.
- Turn a procurement into an enabler and something that concerns the entire organisation.
- Be a strategic partner for internal stakeholders.
- Be a desirable partner for suppliers and service providers.

Thematic area of Role and value proposition

The best practices associated with the role

- should be accounted for throughout the development cycle of the strategic management of procurement
- are continuous processes.

The best practices associated with the value proposition

- relate to the goal state of the development cycle for strategic management of procurements
- are the prevailing strategic management practices of procurements in the goal state.

Good practices relate to

- strengthening the customer perspective
- producing added value
- developing the strategic position of procurement
- developing strategic partnerships
- a bold, goal-oriented, enthusiastic and inspiring approach

18. Be bold, set targets and inspire the rest of the organisation to pull together

The person responsible for the procurement organisation plays a key role in promoting a more strategic approach and change.

- As a basic premise, this role has received a mandate from the senior management to develop the strategic management of procurement

In most cases, the development of a more strategic perspective on procurement

- starts with an approach focusing on calls for tenders in which the role of the procurement services or team is to operate as a support organisation and assume responsibility for compliance with public procurement legislation in competitive tendering.
- recognises that the journey to the strategic management of procurement is long and requires long-term and determined development

Practical tips

- Be curious and interested in internal customers' and stakeholders' viewpoints and invest in understanding the context.
- Carefully prepare for 'opening the eyes' of the rest of the organisation.
- Focus on describing the impact and benefits of procurement.

- Wake up the management and rest of the organisation to the need for change, new possibilities and achievable benefits.
- Remember that no one can achieve a change alone.
- Be bold, set goals and accept challenges.
- Be inspiring, do not give up.
- Be more convincing and remember that wise words from outside are often more easily listened to.
- Test and practise with pilots, collect successes and learn from failures.
- Be patient and give yourself and your organisation time to develop.

- » The potential and impact of a more strategic procurement approach are understood at the organisation level.
- » Better prerequisites for developing the strategic management of procurements are obtained.
- » Improved potential for creating added value and impact through procurement.
- » Resistance to change decreases.

19. Account for the customer's and end user's perspectives in everything you do

Accounting for the customer's and end-user's perspectives means prioritising the customer and their needs. Customer-oriented procurement

- understands the importance of customers as an important success factor in procurement
- offers procurement services that meet the customers' needs and expectations.

When addressing customer orientation, it is important to define concepts with sufficient clarity.

- Does 'customer' mean the internal customers of procurement, or customers outside the organisation?
- What kind of end users will the product or service being procured have?

Practical tips

- Remember to put the customer and the end user first. The success of a procurement is determined by understanding the needs of customers and end users and meeting them successfully.
- Always start from the procurement strategy.
- Include the customer's and end-user's perspectives in the value proposition of procurement and procurement strategy.
- Specify what you mean by a customer.
- Identify the potentially different operating cultures of various sectors within the organisation.
- Make determined efforts to build up the core competence of procurement experts.
- Formulate a common view of what being proactive means.

- » Strategic impact of procurements increases.
- » An all-round service meets the needs better.
- » The added value of procurement for business operations is seen in concrete terms.
- » Internal competence of procurement improves.

20. Turn procurement into an enabler and something that concerns the entire organisation

When procurement is an enabler, it is recognised as a strategic function that supports the organisation's operations and goal achievement.

When procurement is something that concerns the entire organisation, rather than being the sole responsibility of the contracting authority, it becomes a broadly defined activity of the organisation in which the organisation's members participate as indicated by their roles and responsibilities.

When procurement is an enabler and concerns the entire organisation, its efficiency and results have an impact on the operation and results of the entire organisation.

Practical tips

- Ensure the management's understanding and support, including those of the strategic, political and operational management.
- Build up the organisation's procurement competence, ensuring that those in key roles understand the part procurement plays as a tool for implementing the strategy.
- Communicate about the importance of procurement as a success factor of business across the organisation.
- Pay attention to practical management. Ensure that practical management enables the use of procurement as a tool for implementing the strategy.
- Continuously produce information for the management and tell them where the greatest impact potential lies.
- Get to know the organisation, its people and its concerns.

- » Better decisions and better outcomes.
- » More comprehensive decisions on large service investments.
- » Cross-sectoral use of expertise through procurement becomes possible.

21. Be a strategic partner for internal stakeholders

Procurement is a strategic partner for internal stakeholders when it is not only responsible for purchasing goods and services but also plays an active role in implementing the organisation's strategy.

Strategic partnership is based on internal cooperation in which procurement works together with business operations with the aim of achieving the organisation's strategic objectives.

Practical tips

- Ensure a common understanding of the objectives of the partnership. In particular, clarify the descriptions of the roles of business and procurement units.
- Develop procurement competence in business units and vice versa. Procurement can only generate added value for business if it is sufficiently familiar with the business.
- Ensure that the business unit is committed to the partnership at the practical level.
- Be constantly on the lookout for signs showing that the partnership works. Identify things that work and those that should be done differently.
- Build the strategic partnership patiently.

- » The organisation understands the strategic significance of procurement.
- » The organisation of strategically important services is planned better.
- » More consistent practices and more efficient activities.
- » The added value created by procurement increases.

22. Be a desirable partner for suppliers and service providers

When an organisation is a desirable partner, suppliers and service providers wish to work together with it.

If the cooperation relationship is open and reciprocal, both parties benefit.

An organisation that wishes to be a desirable partner for suppliers

- understands that it is the supplier who produces the actual added value for customers
- also examines the entities to be procured from the perspective of the supplier and the service provider.

- » More and better tenders are received.
- » Sufficient and competent service providers are ensured.
- » Long-term partnerships can be forged.
- » Effectiveness of the supplier market can be ensured.

Practical tips

- Remember that there can never be too much dialogue.
- Engage in active dialogue with actors and service providers already in the development and planning phases of a procurement.
- Make use of the views and expertise of suppliers and service providers in the strategic procurement processes.
- Also conduct high-level dialogue with service providers.
- Understand the operating conditions of suppliers and service providers at different stages of the procurement life cycle.
- Actively collect feedback from suppliers and service providers.
- Set aside enough time for preparing the procurement.
- Allocate resources to suppliers and procurement projects with the greatest impact on achieving the contracting authority's strategic objectives.

How can I use the best practices?

The best practices are concrete examples of operating models that have been proven to create value for public organisations and that have promoted the strategic management of procurement and moved the entire organisation's activities in the desired direction.

- You can use the best practices individually, but above all they are the sum of their parts.
- Comprehensive development will bring the best results, as the practices are in many respects interlinked.
- They can be applied in any public organisations regardless of its sector, operating environment, size, maturity and location.
- Supported by the practical examples, start with these:
 - » Develop the strategic management of your organisation's procurements in individual thematic areas.
 - » Build development paths for your organisation.
 - » Select development priorities, identify dependencies.
 - » Choose benchmarks from the world of business.

Organisations interviewed

- Hansel Ltd
- City of Helsinki
- Joint Authority of the Hospital District of Helsinki and Uusimaa
- National Emergency Supply Agency
- City of Hämeenlinna
- Municipality of Ii
- City of Kerava
- Lapland wellbeing services county
- West Uusimaa wellbeing services county
- Finnish Food Agency
- Satakunta wellbeing services county
- City of Seinäjoki
- Senate Properties
- Ministry of the Interior
- Finnish Environment Institute
- Tuomi Logistiikka Oy
- City of Turku
- Ministry for Foreign Affairs
- Finnish Transport Infrastructure Agency
- Yleisradio Oy

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