



Why working proactively with procurement will be more important than ever in 2024

Jonathan Dutton FCIPS

2023 SA HEALTH SUPPLIER CONFERENCE

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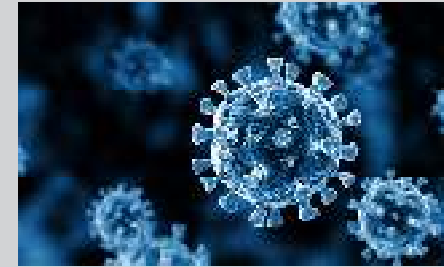
- > Procurement consultant, speaker & writer
 - *Procurement thought-leader in ANZ*
 - *Consulting to the supply side – and the sellers!*
 - *Trainer of BUYERS and SELLERS too*
 - *Non-Executive Director : Supply Clusters & Axis Group*
- > CEO of 'PASA' since 2020
- > Former founding CEO of 'CIPS' 2004-13
- > Careers in :
 - General management
 - Marketing
 - Corporate sales
 - Procurement



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0404-452861



What's the problem with Procurement today?



PROCUREMENT had a good Covid

- ✓ The supply-side became high-profile – *think toilet rolls & PPE*
- ✓ The C suite were heavily engaged ...
 - ✓ “*Procurement showed a real sense of urgency*”
 - ✓ “ *... and became a process pathfinder for us*”
 - ✓ So, internal stakeholder relations improved markedly
- ✓ And, importantly, “*our friends didn't let us down*” - said AA
 - ✓ – a validation of SRM strategy and a clear justification of it

What's the problem with Procurement today?

BUT

- ✘ Many organization's BCP plans failed
- ✘ Supplier data was rarely accurate enough
- ✘ Supply chain visibility was low and still is -
- ✘ Contracts had not been managed closely enough in the past
- ✘ *"Will it turn up?"* DIFOT anxiety now the norm in a polycrisis
- ✘ Stakeholder expectations went through the roof after Covid

Now what ?



What's the problem with Procurement today?



**PROCUREMENT has never been busier
with > 11%* increase in workload in 2023**

- 1. The skills shortage** – *procurement is not exempt, certainly not in Adelaide*
- 2. Contracts rolled-over** during Covid sometimes - *by default*
- 3. Volume requirements** have shifted since Covid - *in many categories*
- 4. Rebalancing RISK v SAVINGS** on critical items – *especially sourced overseas*
- 5. ESG demands** are reframing purchase decisions today – *more complex choices*

* The Hackett Group survey 2022-23

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9 x ESG Focus areas

ESG in practice ...

The Mandatory

- . MSA
- . Payment Times Reporting

Almost obligatory

- . Indigenous procurement policy
- . Net zero targets
- . Gender equality

Optional

- . Supplier diversity (and LGBTQ support)
- . Small businesses support
- . BUY Local through industry participation
- . Social enterprises purchases



"A dizzying array of objectives ..."
THE ECONOMIST

CPO
Roundtable



PASA

What's the context for Procurement today?

10 Current procurement trends

1. Managing INFLATION effects
2. Addressing de-globalisation & INBOUND supply risk
3. Rebuilding business continuity plans – post-Covid
4. Skills shortage management – internally & externally
5. Supporting small suppliers & industry participation
6. Digitalisation
7. Capturing INNOVATION from the supply-side
8. Growing category specialisation
9. SRM
10. ESG inclusion

“Intelligent spending is about far, far more than just PRICE”

Tom Derry – CEO, ISM

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How can SMART suppliers help PROCUREMENT managers and help themselves too?



MAKE yourself a SUPPLIER OF CHOICE

- *Re-present yourself as more relevant option today – adding VALUE*
- *Flexible enough to respond to change and adapt*
- *That can make agreements that work for everyone ...*
- *Managing down risk - yet managing up quality and reliability*
- *Contributing to stakeholder needs for stronger ESG outcomes*

How can SMART suppliers help PROCUREMENT managers and help themselves too?



Making yourself a SUPPLIER OF CHOICE 6 hot TIPS to help you WIN:

- 1. Comply, comply, comply – *it doesn't win, but it can lose***
- 2. Be proactive – *and think longer term***
- 3. Build relationships – *around the tenders***
- 4. Ask questions - *work out where you are in the customer's priorities?***
- 5. Resist cynicism - *you might win it***
- 6. Help the customer achieve their goals :**
 - *Make suggestions - especially ESG options, make everything more sustainable*
 - *Innovate – do it for them, bring new solutions; especially local ones*
 - *Find efficiencies – how can you save them time?*
 - *Embrace teamwork – include procurement early, with stakeholders too*

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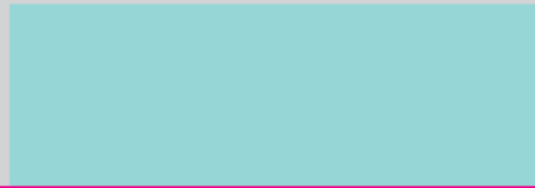




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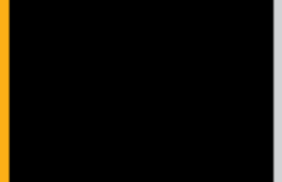
**SPARE
SLIDES**



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- > Post-pandemic, Procurement teams have never been busier:
 - catching up on covid-postponed contracts, bringing extra rigour to supply lines, mitigating inflationary pressure, driving full compliance & local industry participation rates, tackling the skills-shortage and managing everything within a tightening ESG framework.

The best suppliers in future will help busy procurement teams meet these challenges; but how?

Jonathan Dutton FCIPS

CEO of procurement industry group PASA & former CEO at procurement peak body CIPS



Procurement Trends: 2023



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Jonathan Dutton FCIPS – 3rd November 2022



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The procurement industry landscape in ANZ

- > Over 100,000 procurement practitioners in Australia
- > Private sector – top 3,000 firms
- > Public sector :
 - Federal Govt and the CPRs
 - State Govt and their departments
 - Public agencies ~ 150 per state
 - Most local councils
 - NZ co-ordinated by MBIE
- > Typical procurement team: 10-20 staff with > \$500m spend
- > CIPS – and a vibrant support sector ... including PASA

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The procurement challenge

“Intelligent spending is about
far, far more
than just PRICE”

Tom Derry – CEO, ISM

The procurement challenge

- > To spend money responsibly & consistently is not easy
- > And manage risk :
 - Assurance of supply – DIFOT
 - Compliance
 - Supply chain security – supply, product, liability mgt, data
- > Procurement as an instrument of policy : ESG in action -
 - Buy local ... and Payment Times Reporting Act 2021
 - Modern Slavery Act ... and ethical procurement policies
 - Indigenous procurement policies
 - Net zero
 - Social procurement to support disadvantaged Australians
 - Supplier diversity

Procurement's OBJECTIVES

1. SAVINGS ... reducing cost is 'table-stakes'
 - Direct savings
 - Cost avoidance
 - Demand management
 - Mitigating 'COST-PLUS' inflation – and the 7% problem
2. Reducing RISK
 - Supply assurance
 - Other risks ...
 - Balance SERVICE needs of USERS
3. Policy
 - Buy local – for the economic multiplier effect
 - Compliance ...
 - ESG – for all stakeholders

10 Current procurement trends

1. Managing INFLATION
2. Rebuilding business continuity plans – post-Covid
3. Addressing de-globalisation & INBOUND supply chain
4. ESG
5. Respecting small suppliers
6. Digitalisation
7. Capturing INNOVATION from the supply-side
8. Growing specialisation – including use of outsources
9. SRM
10. Talent management – internally & externally

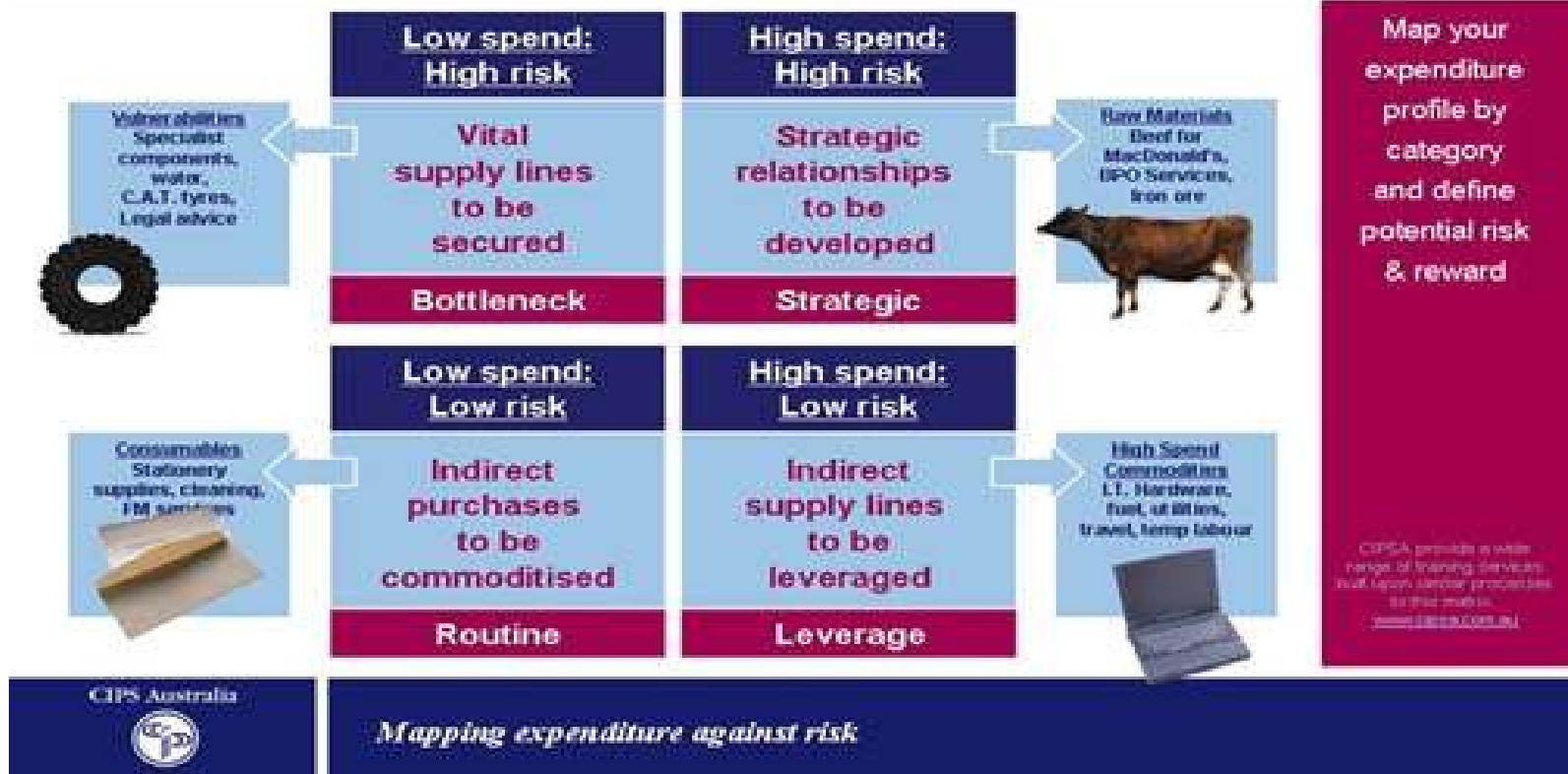
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SA Health PSCM Procurement Strategy

1. SERVICE ... DIFOT for users and patients alike
2. SAVINGS ... cost management & rebalancing stock
3. Reducing RISK ... supply risk management
4. POLICY ... adherence and influence
5. INNOVATION ... to reduce LT cost
6. SRM ... to build relationships – for secure supply & innovation
7. CATEGORY MANAGEMENT ... inc: medical & PPE, energy, ITC, Services
8. DIGITALISATION ... better data, spend analysis & performance

Basic spend analysis

... The Kraljic Matrix



Basic spend analysis

...The Kraljic Matrix

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55,000 suppliers on Db in 2017
Today < 15,000



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Top Tips for suppliers

How to win

- > Comply, comply, comply – *it doesn't win, but it can lose*
- > Be proactive – *and think longer term*
- > Build relationships – *around the tenders*
- > Ask questions ...
- > Work out where you are in the customer's priorities?
- > Resist cynicism - *you might win it*
- > Help the customer achieve their strategy :
 - *Make suggestions*
 - *Innovate*
 - *Find efficiencies*
 - *Embrace teamwork*

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Travels from Melbourne





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