

CPPB Certification Preparation

CPPB Online Prep Class

Domain VI



Domain VI: Strategic Procurement Planning

Knowledge statement overview

We will discuss:

- Analytical techniques
- Forecasting
- Strategies based on forecast data
- Strategic planning
- Cost/benefit analysis
- Continuity of operations






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Analytical Techniques

- Environmental Scan: SWOT Analysis
- Pareto Principle: 80/20 rule
- Analysis of entity expenditures
 - Spend analysis
 - Procurement profile
- Analysis of individual expenditures
 - Value analysis
 - Make or buy analysis



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Forecasting

Forecasting: A tool used to determine future needs. An ongoing assessment to examine opportunities and is an essential element of strategic planning. It requires procurement professionals to keep abreast of the market and surveys and understand various indicators, business cycles, indexes, lead times, and price histories of commodities and services.



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Methods of Forecasting

- **Fixed Period Average:** A mathematical calculation used to divide the total usage for a fixed period (generally 12 months), usually using the last fiscal calendar, by the number of months involved (generally 12). The resulting average is the forecast for the entire comparable future period. This is a straight mathematical calculation which ignores current trends.
- **Moving Average:** A continuous average method used to gather the most current usage information about an item by taking current trends into account and always using the most recent data. For example, a 12-month period would be the average monthly usage for the immediately preceding 12 months; as the year progresses, the forecast is updated by dropping the oldest month's data (13 months ago) and adding the most recent month's data.



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Methods of Forecasting

- **Weighted moving average** – Builds accuracy into the system by giving more significance to weighting specific information such as seasonal variations
- **Mean Absolute Deviation (MAD)** – a measure of error in the forecast, the smaller the deviation, the more accurate the forecast



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Procurement Strategies Based on Research and Forecast Data

- **Spot Buy** - A one-time purchase occasioned by a small requirement, an unusual or emergency circumstance, or a ***favorable market condition***
- **Term contract** - A type of contract in which a source of supply is established for a specified period of time for specified services or supplies; usually characterized by an estimated or definite minimum quantity, with the possibility of additional requirements beyond the minimum, all at a predetermined unit price. Historical data forms the basis of term contracts.



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Strategic Planning

- Alignment of an organization's vision and mission with tactical operations
- Two parts to strategic planning process
 - Determination of purpose, vision, mission, goals and objectives
 - Expression of the how, where and when the organization intends to accomplish its goals



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Organizational Mission Statements

- Describe purpose of the organization
- Allow members of the organization to share a common view and philosophy
- Strategic and tactical planning is done around the mission statement
- Focus the organization on doing "the right thing"





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Ohio Department of Public Safety Mission Statement

The Ohio Department of Public Safety strives to fulfill its mission to save lives, reduce injuries and economic loss, to administer Ohio's motor vehicle laws and to preserve the safety and well being of all citizens with the most cost-effective and service-oriented methods available.





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Strategic Plans

- Usually 8 – 15 key results are desired
- 1-2 strategic objectives for each key results area
- **Strategic objectives** – describe conditions the organization wishes to achieve
- **Tactical Objectives** – specific, usually short-term, aimed at supporting the strategic objective
 - Should be prioritized – with assigned responsibilities
 - Each should have specific target dates for completion




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Creating Objectives

- Specific – describe desired results
- Measurable
- Assignable – assigned to a team or individual
- Realistic – chances of success should be good
- Time-based – designate when it will be achieved



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Strategic Procurement Planning (SP2)

- Strategic planning in procurement
- Chief Procurement Officer should initiate
- Involves transformation of procurement's mission, goals and objectives into measurable activities
- Goal – create positive change in organizational culture, systems and operational processes

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Benefits of SP2


- Helps focus attention on organization's mission
- Links tactical procurement decisions to organizational strategy
- Assists in designing/redesigning structure of procurement function
- Creates a framework for communication with suppliers and cross-functional teams
- Facilitates identification of opportunities and threats for future procurements

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Supply Positioning

	Quadrant II	Quadrant IV
COST	Quadrant I	Quadrant III
	RISK	

Helps determine where to focus energy and resources.

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Cost Benefit Analysis

A comparative evaluation of the trade-off between the cost of a good or service and the value or benefit to be obtained in order to choose among alternatives.



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COOP

Continuity of Operations Plan (COOP): A detailed strategy developed to ensure the continuation of essential functions during an emergency that result in the inability of the organization to provide essential services to its constituents. The COOP must be a fluid and dynamic plan capable of being immediately adjusted and modified depending on the situation. A well-developed COOP addresses the people, processes, systems, and infrastructure elements that will be needed to continue to perform essential functions during a disaster or emergency situation.

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COOP Key Points


- Essential services
- Hierarchy of authority
- Location of operations
- Communication
- Documentation/recordkeeping
- Identification of suppliers, shippers, etc.
- Emergency procedures for purchases
- Establishment of payment
- Issuance of POs and Contracts
- Term Contracts

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Succession Planning

Succession Planning: The process of identifying and developing internal personnel with the potential to fill key or critical organizational positions. Succession planning ensures the availability of experienced and capable employees that are prepared to assume these roles as they become available

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Domain VI: Strategic Procurement Planning Wrap-Up

- Wrap-up
- Questions?



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