



Australian Government

Department of Education, Employment and Workplace Relations

PSPPROC511 Plan and implement strategic sourcing

Release: 1

PSPPROC511 Plan and implement strategic sourcing

Modification History

Release	TP Version	Comments
1	PSP12V1	Primary release.

Unit Descriptor

This unit covers planning and implementation of strategic sourcing for goods or services essential or critical to an organisation's ability to conduct its core business.

Failure of supply or disrupted supply of these goods and services will have an adverse impact on the organisation's ability to deliver its core business outcomes.

In practice planning for strategic procurement will be integrated with the organisation's strategic, corporate and budget planning processes. Implementation of the strategic sourcing process will also be specifically impacted by procurement plans, legislation, regulation, policy and procedures. Broader government policy and government to government agreements may also impact.

Analysis of relevant markets and identification and incorporation of market information into the planning processes are essential elements of this function.

Consideration and incorporation of Corporate Social Responsibility (CSR) principles, sustainability and environmental issues is also essential.

No licensing, legislative, regulatory or certification requirements apply to this unit.

Application of the Unit

The unit applies to those engaged in specialist procurement and contracting roles and is equally applicable to those in broader logistics roles.

Licensing/Regulatory Information

Not applicable.

Pre-Requisites

Not applicable.

Employability Skills Information

This unit contains employability skills.

Elements and Performance Criteria Pre-Content

Elements describe the essential outcomes of a unit of competency.

Performance criteria describe the performance needed to demonstrate the achievement of the element. Where ***bold italicised*** text is used, further information is detailed in the range statement. Assessment of performance is to be consistent with evidence guide.

Elements and Performance Criteria

- 1. Develop a procurement profile of the buying organisation**
 - 1.1 Gather and analyse long term data about the **strategic implications** related to **the buying organisation's level of spend** on various types of goods and services, including how, where and from whom the goods or services are procured.
 - 1.2 Profile the organisation's existing suppliers, with particular emphasis on each **supplier's capability and capacity**, vulnerability, and adherence to **Corporate Social Responsibility (CSR) principles**, OH&S, legislative compliance, market position and ownership structure.
 - 1.3 Identify and engage relevant **communication strategies to engage internal stakeholders, external and market stakeholders**.
 - 1.4 Assess the **buying organisation's market position** (how the market views the organisation as a potential customer).
 - 1.5 Identify and consider **opportunities** and **risks** associated with developing a stronger market position as a buyer.
- 2. Conduct strategic assessment of the supply market.**
 - 2.1 Gather and analyse **market information** to determine capacity, competition, legislative and regulatory compliance, vulnerabilities and risk within the supply market.
 - 2.2 Monitor and analyse **market trends** and emerging changes to the current supply market place.
 - 2.3 Analyse and assess the supply market's ability to meet the buying organisation's needs, including **supply chain management issues**.
 - 2.4 Identify and assess **innovative and/or creative opportunities** within the market.
 - 2.5 Assess local and international **supply market factors** that may influence the ability to supply goods and services.
- 3. Develop strategies to source goods or services from the market**
 - 3.1 Assess the suitability of current and emerging **commercial trends** within the market to the needs of the buying organisation.
 - 3.2 Identify and consider the application of commercial **best practice** models to strategic sourcing activities across the **procurement life cycle**.
 - 3.3 Identify and test possible **benchmarks** of better strategic sourcing practice.
 - 3.4 Assess the suitability of alternative market sources of supply.
 - 3.5 Develop **strategic supply market plans** which reflect analysis of both the buying organisation and the supply market.
 - 3.6 Devise **tendering strategies** and **type of contracting arrangement** appropriate to the goods or services being procured and the nature of the supply market which will

supply them, taking **contract management strategies** into consideration.

3.7 Review the application of existing legislation, regulations, policies, practices and procedures to strategic sourcing activities and recommend changes to these where this would yield better results for the buying organisation or at the whole of government level.

4. Secure, monitor and review strategic market sources

4.1 Conduct procurement processes which consider **strategic sourcing issues** and are appropriate to the goods and services being sought.

4.2 Negotiate with potential suppliers to secure the best supply arrangements.

4.3 Develop and implement transition plans from current to new market sources as needed to ensure a smooth transition and the continuous provision of strategic goods and services to the buying organisation.

4.4 Implement contract management strategies to ensure that goods and services are delivered as contracted.

4.5 Monitor and review new strategic sourcing arrangements for continuous improvement opportunities.

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Required Skills and Knowledge

This section describes the skills and knowledge required for this unit.

Required skills

- communication skills to:
 - consult and negotiate with the supply market, existing contractors and stakeholders
 - network, within probity boundaries, with the supply market, contractors and stakeholders
 - write a business case
 - conduct market analysis
 - conduct buying organisation analysis
 - prepare plans
 - read complex documents, such as contracts, legislation and policy guidelines
 - provide feedback
- research skills to:
 - gather and analyse organisational information to build procurement profile
 - gather and analyse market information
 - gather and analyse stakeholder requirements
 - review and apply legislative, regulatory and policy requirements
 - gather and analyse information on restricted products appropriate to the industry, such as Dangerous Goods and chemicals
 - identify, analyse and predict trends
- teamwork skills to:
 - model effective team management approaches
 - respond to diversity
 - deal with issues and refer as appropriate
- initiative and enterprise skills to:
 - apply the content of complex documents such as contracts, legislation and guidelines
 - ensure compliance with legislative and mandated policy requirements including OH&S and environmental obligations, sustainability and corporate social responsibility (CSR) practices and principles in the context of planning procurement and sourcing outcomes
 - apply complex government policy and inter-governmental agreements
 - interrogating corporate systems, such as Financial Management Information System (FMIS) or asset management system to obtain data
 - analyse complex supply chains to identify risk, vulnerability and opportunity
 - anticipate and interpret market reaction
- planning and organising skills to:
 - undertake research and business analysis
 - plan procurement processes in alignment with business and organisational goals

This section describes the skills and knowledge required for this unit.

- document procurement planning decisions and expected outcomes
- manage and update procurement plans and sub-plans in line with strategic plans and budgets
- apply complex strategies to development of strategic plans, including corporate, budget and procurement plans and sub plans
- contribute to strategic and risk planning
- learning and development skills to:
 - stay abreast of best practice models relevant to procurement, contracting, logistics and enterprise market management
 - remain current with legislation, regulation, policy, government agreements, and recent legal determinations
- technological skills to:
 - exploit organisational sources of data and information
 - develop and manage electronic commerce
 - exploit market opportunities and initiatives in electronic commerce

Required knowledge

- Commonwealth, state and/or territory, or local government legislation, regulation, policies, practices, procedures and guidelines in relation to:
 - procurement
 - financial management
 - public sector obligations (eg Codes of Conduct)
 - consumer law
 - OH&S
 - social policy
 - other relevant topics
- international treaties relevant to trade and procurement practices
- government and inter-governmental policy and agreements in relation to procurement practices
- principles and practices associated with Corporate Social Responsibility (CSR) principles, sustainability and environmental issues as applicable to procurement and market behaviours
- complex and strategic planning for a range of outcomes
- research and analysis as applied to complex outcomes, trends and predictions of markets and procurement changes
- decision making processes and methodologies
- probity principles and issues
- codes of conduct, codes of practice and standards of individual behaviour relating to procurement decisions
- government procurement environment
- micro and macro economic issues applicable to market behaviours and the impact of

This section describes the skills and knowledge required for this unit.

procurement

- legal issues and determinations impacting on procurement
- implications for the organisation and market (suppliers) of key procurement strategies and/or arrangements
- whole of life costing considerations and value for money
- financial, costing and accounting issues relevant to procurement and contracts
- cultural issues relevant to strategic procurement and industry development in specific markets or market sectors
- relationship management
- change management

Evidence Guide

The evidence guide provides advice on assessment and must be read in conjunction with the performance criteria, required skills and knowledge, range statement and the Assessment Guidelines for the Training Package.

Overview of assessment

Competency must be demonstrated through an ability to predict future procurement needs, based on the analysis of past and current organisational and market data. Current planning, emerging legislative, regulatory, social, business and market trends must also be assessed in order to predict future market activities. Strategies must be developed against those predictions and appropriate arrangements for the sourcing of strategic goods and services implemented.

Critical aspects for assessment and evidence required to demonstrate competency in this unit

Assessment must confirm an ability to:

- gather and analyse complex financial, business and market information and develop procurement, market and supplier profiles
- identify and apply the people skills relevant to planning, and implementing strategic sourcing
- identify and interpret complex legislation, regulation, policy, including international treaties, principles of CSR, OH&S, sustainability, environmental and social trends
- contribute to complex procurement planning documents which support core business and organisational and government outcomes
- assess local and international markets, identify trends and develop strategies to ensure organisational market placement necessary to meet future needs
- identify and secure future market sources of supply to meet organisational core business
- contribute to and implement strategic sourcing strategies and processes within an organisation based on analysis of demand and spend patterns
- consider both qualitative and quantitative factors in reaching decisions or recommendations

Consistency in performance

Competency must be demonstrated by providing evidence of undertaking a range of relevant work tasks in an actual or simulated procurement environment on a least two separate occasions.

Context of and specific resources for assessment

This unit of competency is to be assessed in the workplace or a simulated workplace environment.
Participants may need to access:

- sample data on finance, procurement and markets to analyse and then to build recommendations
- corporate planning documents including strategic procurement, finance, technology, logistics and human capital planning
- relevant legislation
- current information relevant to CSR, sustainability, environment and social legislation, trends and expectations
- relevant market information
- workplace scenarios and case studies relating to organisational expectations for future and strategic development of core business
- emerging market trends, such as PPP, strategic alliance, e commerce, holistic service solution, engaging the corporate sector to deliver on behalf of or instead of government
- case studies that incorporate challenges from which to develop strategies to deal with future sourcing of goods and/or services and the methods that may need to be employed to secure future requirements

Method of assessment

Suggested assessment methods include:

- questioning to assess understanding of key subject matter areas, such as research, analysis, markets, legislation, planning, decision making, communication and mechanisms to secure market sources
- preparing written reports and reviews of strategies, market information, market dynamics, procurement plans and approaches to secure future market sources
- completing reviews of market information, best practice guides, planning documents and strategies, business models and budgets, lobby group predictions, political philosophies and policies, community expectations, technological advancements and other relevant material prepared by the candidate in a range of contexts
- preparing a range of tendering and contractual strategy documentation suited to the particular goods and services and supply market.
- preparing strategic sourcing plans, market profiles or other similar documents for strategic sourcing activities
- contributing to and implementing sound strategic sourcing strategies based on analysis and reviews
- demonstrating research, communication, consultation and negotiation skills

In all cases, practical assessment should be supported by questioning to assess underpinning knowledge and those aspects of competency which are difficult to assess directly. Questioning techniques should suit the language and literacy levels of the candidate, but not compromise the integrity of the assessment.

Guidance information for assessment

Evidence must be gathered over time in a range of contexts to ensure the person can achieve the unit outcome and apply the competency in different situations or environments. Holistic assessment with other units relevant to the industry sector, workplace and job role is recommended.

- PSPETHC501B Promote the values and ethos of public service
- PSPGOV507A Undertake negotiations
- PSPLEGN501B Promote compliance with legislation in the public sector
- PSPOHS501A Monitor and maintain workplace safety
- PSPPROC503B Manage contract performance
- PSPPROC504B Finalise contracts
- PSPPROC505A Manage procurement risk
- PSPPROC506A Plan to manage a contract

- PSPPROC507A Plan for procurement outcomes
- PSPPROC508A Make procurement decisions
- PSPPROC509A Participate in budget and procurement review processes

Range Statement

The range statement relates to the unit of competency as a whole. It allows for different work environments and situations that may affect performance. ***Bold italicised*** wording, if used in the performance criteria, is detailed below. Essential operating conditions that may be present with training and assessment (depending on the work situation, needs of the candidate, accessibility of the item, and local industry and regional contexts) may also be included.

<i>Strategic implications</i> may include:	• results which directly impact on the buying organisation's ability to deliver its core business including criticality of supply • non delivery, late delivery or poor quality products and services being received • reputational risk including: • the government losing confidence in the organisation's ability to perform • the public losing confidence in the organisation • public embarrassment • breach of legislation, treaty or government policy • procurement that costs more than planned for • timelines not met
<i>The buying organisation</i> may include:	• a controlling and reporting entity • administrative departments • Government corporations or business enterprises • Statutory Authorities • a local government • an entity of convenience (eg a division/branch/section) • some other entity which makes a purchase using taxpayer funding
<i>Level of spend</i> may include:	• all resources, direct and indirect, consumed in: • acquiring goods and services • managing the procurement process including managing contracts • value, volume and breakdown of spend
<i>Supplier's capability and capacity</i> may include:	• financial viability/capacity • past performance • skills and expertise • quality accreditations • compliance with national and/or international standards • technological position • staff loyalty, development and succession planning • compliance with Corporate Social Responsibility (CSR),

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	sustainability and environmental requirements and emerging trends • continuous improvement practices
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<i>Corporate Social Responsibility (CSR)</i> principles may include:	• triple bottom line reporting • managing up and down stream in the business relationship • people, plant, profit • fair work practices • commitment to environmental and sustainability practices • better community outcomes
<i>Buying organisation's market position</i> may include:	• the buying organisation's ability to exert influence on the supplier market, including: • buying capacity • continuous or regular consumption • level of spend on goods and services • reputation and influence • ease of doing business with this organisation for suppliers • ability of suppliers to build relationships with this organisation • risks faced by the supplier in dealing with this organisation • desire of suppliers to have this organisation on their client list • ability of the buying organisation to offer a counter-cyclic demand for goods and services • opportunities to partner for product/service development
<i>Internal stakeholders</i> may include:	• procurement and contract management staff • senior management • users of the goods and services • financial management staff • maintenance staff • asset or fleet managers • facilities managers • logisticians, including materiel logisticians • Human Resource Management staff • IT Staff
<i>External and market</i>	• contractors

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stakeholders may include:

- suppliers
- industry peak bodies
- government
- other buyers
- general public
- users of the goods and services (if these are not internal)

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<i>Opportunities</i> may include:	• ability to influence the direction of the supply market to get a better product or service • innovative products or services • innovative delivery methods • better discounts through amalgamating requirements • cost reduction • better terms and conditions through amalgamating requirements
<i>Risks</i> may include:	• technical • commercial • reputational and political
<i>Market information</i> may include:	• share market announcements • company annual reports and other company supplied information • newspaper, magazine and other media articles • information supplied by stakeholders • information supplied by contract managers
<i>Legislative and regulatory compliance</i> may include:	• international treaties • commonwealth, state and territory legislation and regulation • local government by-laws and regulations • accounting standards • other regulatory requirements
<i>Market trends</i> may include:	• changes with market conditions that may lead to long term change in the supply market such as: • competition including mergers and business closures • technology • regulation and legislation • the economy • demand • globalisation • environment and sustainability issues
<i>Supply chain management issues</i> may include:	• availability of alternative sources of supply • issues affecting component suppliers in the supply chain • issues affecting third party service providers

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| | <ul style="list-style-type: none">• freight and distribution• cash flow management• supplier performance, capability and capacity |
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<i>Innovative and/or creative opportunities</i> may include:	• paradigm shift • achievement of similar outcomes with vastly improved performance metrics • alternative products or service achieving better outcomes • new and unique ways of delivering products or services • opportunities for partnering
<i>Supply market factors</i> may include:	• quality of goods and services • reliability of supply • nature of the supply market eg monopoly, near monopoly, competitive • sophistication of suppliers in understanding the needs of buyers • adherence to CSR principles • adherence to environmental and sustainability principles • political stability and the impact on sources of supply if there is instability • legal and ethical considerations • Australia's international treaty obligation • broader government policy objectives that are to be advanced through procurement
<i>Commercial trends</i> may include:	• private public partnerships (PPP) • strategic alliances • holistic service solutions • technological changes in delivery or outcome
<i>Best practice</i> may include:	• techniques, methods, processes, activities, incentives, or rewards which conventional wisdom regards as more effective at delivering a particular outcome than any other techniques, methods, processes, etc. when applied to a particular condition or circumstance
<i>Procurement life cycle</i> is:	• A series of steps from identification of need, acquisition processes, contract management through disposal, recycling and/or closure or transition of contract.
<i>Benchmarks</i> are:	• a standard by which comparative measurement can be made, could include: • quality • time

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| | <ul style="list-style-type: none">• price• cost• generally used in conjunction with best practice |
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<i>Strategic supply market plans</i> may contain:	• strategic business plans • corporate plans • explanation of whole of government, organisational and business outcomes and how these will be achieved through the proposed procurement activities • supply market analysis and analysis of key potential suppliers • buying organisation analysis including level of spend • review of risks and opportunities • budgets • strategic human capital plans • business technological support plans • production plans
<i>Tendering strategies</i> may include:	• public consultations about the buying organisation's requirements • requests for information about the supply market's ability to meet requirements • choice of different methods of requesting offers to suit different types of supply markets • use of site visits and industry briefings • innovative partnering, leasing or other strategies • assessment of risks associated with the procurement
<i>Type of contract arrangement</i> may include:	• partnering • alliancing • standing offers • incentive contracts • "profit at risk" contracts • use of service level agreements • continuous improvement opportunities
<i>Contract Management strategies</i> may include:	• planning • formal structured meetings • reports • meetings • risk management strategies
<i>Strategic sourcing issues</i>	• the importance of the goods and services to the buying organisation's ability to deliver its core business outcomes

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may include:

- the availability and suitability of alternative sources of supply
- budgetary factors
- the political and environmental context for the procurement
- the necessity to use procurement to advance the government's other policy agendas such as environmental and sustainability, CSR, opportunities for women and Aboriginal and Torres Strait Islander people etc

Unit Sector(s)

Procurement and Contract Management.

Custom Content Section

Not applicable.