CATEGORY MANAGEMENT AS A PROCUREMENT INSTRUMENT WITHIN THE DUTCH GOVERNMENT[1]

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ABSTRACT.   Category Management (CM) as leading principle is a new phenomenon in Governmental public procurement. The firm ambition of the Dutch Government's CPO to implement CM across all Netherlands' Ministries within 3 years, and the fact that hardly no procurement-CM literature existed, were lead motives for a Master Thesis investigation[1], intended to support further planning and decision-making by the CPO. This presentation paper contains a thesis summary. Field research is performed in 3 private sector CM-cases (Shell, Philips, Friesland Foods), leading towards common CM-aspects and pre-requisites. This is used as a basis for "mirroring" the Governmental organization and situation to define its CM-potential and deficiencies, also using the outcomes of intern-governmental stakeholder research. Concluding results and findings plus recommendations are presented.

INTRODUCTION

The term "category management" (hereafter abbreviated to "CM") finds its historic origin in the environment of large multinational consumer product manufacturers in the retail sector, focusing on the optimization of marketing- and sales-efforts for a group of (brand-) products: a category. Within procurement, CM is a relatively new subject. CM has been adopted over the past years by leading multinational private companies, but is a very new phenomenon for the public sector.

Implementation of government-wide CM in procurement is one of the defined main result areas for the coming years of the Chief

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Procurement Officer appointed within the Dutch Government. It is anticipated by policymakers that CM can achieve also a substantial improvement in procurement efficiency on the multibillion euro governmental procurement spend. Government-wide CM as such is a newly envisioned procurement strategy. It should cover all the 13 DutchMinistries, which actually can be viewed as 13 governmental business units (BU's). Each ministry has –besides its specific political field- also has its very own organization, scope and size, budget, identity and culture. In accordance with the existing "integral management" philosophy as applied within the Dutch public administration, these BU's can be considered as being *fully independent* with regard to their operational management –including procurement- responsibilities and procurement goals and priorities.

The main problem areas focus both on what influence and positive effects CM can have for the (procurement function in) Ministries and on the aspects and challenges to successfully implement this CM-initiative in order to create sustainability in its improved results.

PROBLEM DEFINITION AND METHOD

Research Questions

1. Which requisites for Category Management are absolutely necessary, looking primarily towards the private sector cases reviewed: how have they done this within their (global) organization?

2. Are the identified requisites already sufficiently fulfilled for the successful introduction of Category Management, and if not, what and where does a necessity to adapt and/or add exist?

3. Is it realistically spoken possible and feasible to fill in potentially lacking requisites –if any- within the Government?

Research Methods

To answer the first research question, a literature survey is conducted, combined with collecting information and supporting quantitative data through field research from multiple private sector companies, by means of interviewing (representatives of) key procurement managers. The research questions 2 and 3 will be answered

by a combination of [1] individual interviews held with high level governmental representatives and [2] an inquiry by means of extensive questionnaire.

The questionnaire has been directed towards three prime target groups: procurement management at all the ministries, divided in [1] all coordinating procurement directors and [2] their managing heads of procurement, and [3] a budget-responsible stakeholder representation of the Ministries (all members of both the Facility Management director's council and ICT director's council). Since a high questionnaire response of 93%, 89% and 59% for the respective target groups was achieved, a very reliable basis for observations and conclusions from the field research has been created.

LITERATURE STUDY

Much literature on CM is available where related to retail sector and marketing, but procurement CM is a relatively new subject and literature on this specific subject appears to be extremely scarce.

Here, the following definition by The Future Purchasing Alliance[2] is used for CM in procurement:

"Purchasing Category Management is a business-wide process aiming to provide an agreed framework for managing total expenditure properly in a defined and well supported manner."

Literature study reveals that, although there is a large commonality in the CM *definition*, in the procurement world there is certainly not a *one-and-only* CM *solution*! There is a large variation in the interpretation and implementation of CM, strongly depending on organization-specific aspects. But, in line with the CM-definition given above, some important common aspects of CM are that it:

- has an organization-wide scope;

- is a standardized business process, with agreed standardized procedures;

- needs to be aligned with organizational strategies, resulting in clear goals; and

- requires full spend-knowledge and heavy stakeholder involvement;

Furthermore, a strong functional relation between CM and to the various business (procurement) processes is identified, including the fact that introducing CM, including strategic sourcing, within the business processes, has a major impact on both the organization and its procurement function. And to take away another noted potential misunderstanding: CM as basic procurement concept is certainly *not* another term for "project management". Obviously, the *implementation* of CM aspects within organizations as mentioned in the recommendations require a project management approach.

RESULTS OF EXISTING CM-CASES RESEARCH

Case Study Descriptions

Three private sector multinational companies have been investigated for the purpose of this study:

- *The Royal Dutch Shell plc*: a very large, global multinational company, which operates in more than 140 countries worldwide, employing 109.000 people. Shells' core business is finding and producing oil and natural gas, converting it into oil and petrochemical products and selling it globally. Their 2005 revenue was $ 360 *billion* and 2005 annual profit $ 26 *billion*.

- *Royal Philips Electronics*: a global leader in healthcare, lifestyle, lighting, medical systems and consumer electronics, delivering products, services and solutions. Headquartered in The Netherlands, Philips employs approximately 125.500 employees in more than 60 countries worldwide with a turnover of €30.4 billion in 2005.

- *Friesland Foods* (FF): an international company developing, producing and selling natural, nutritious and high-quality diary-products. The company exists 125 years and has a cooperative basis: the 10.200 members, diary-cattle farmers, are the owners and suppliers. FF has a large assortment of products (cheese, milk, baby food, etc.) and brands and is present in more than 100 countries. With 16.400 employees globally they established a turnover in €4.4 billion.

The most relevant findings and results concerning procurement CM within these three companies are described in the following two paragraphs.

Resulting Overview of Main CM-Characteristics.

The following six main reasons ("*Why do this*") have been determined for CM in these companies: 1) achieve lower costs by leveraging larger spend with suppliers; 2) improve business performance by close integration with business drivers; 3) more informed strategies and decisions using robust Market Intelligence; 4) new end-to-end focus captures efficiencies and value beyond "the deal";   5) Total Cost of Ownership focus better balances near term with longer term; 6) common well-defined process enables professional development and deployment.

Although certainly a number of large differences appear in the way that CM has been worked out in daily practice, in general the three case studies are quite comparable. They share the following main characteristics: clearly strategically aligned with the organization overall goals and business-integrated; focused on business efficiency and added value; steered from the highest company level in combination with a clear governance mechanism; process-based and well-structured (both systems and HRM); full 'on-line' insight in their procurement spend company-wide; a strong stakeholder involvement.

Although each company obviously has developed it's very own process and procedures, six ***main CM-process*** steps can be recognized that are to a certain extent present in all investigated cases, in fact 'deepening' the aforementioned definition of CM in procurement. The basic description, goal and main activities for each of these phases –in logical sequential order- is summarized as follows:

1. **Business Needs**: Appoint competent resources to understand the business objectives, deliverable requirements, scope complexity, demand forecasts, stakeholder requirements and future risks & opportunities. Determine a framework and plan as a guide through CM process.

2. **Market Analysis**: Gather and analyze market intelligence considering marketplaces, suppliers, trends and emerging practices to understand the industry structure and supplier economics, define market segments and identify potential suppliers and possible alternative means of procuring goods and services.

3. **Supply Chain Cost Modeling**: Is a methodology which helps identify and understand where cost and value drivers are concentrated in the supply chain, and assists in identifying potential

opportunities to remove cost, add value and enhance the overall supply chain for a category and its future contracts.

4. **Strategy Selection**: Develop alternative strategies to deliver the business objectives utilizing all information from the prior process stages and creative team thinking. Identify the "best fit" strategy for delivery and develop specific contract pricing and performance mechanisms. Establish a list of suppliers capable of delivering the company scope requirements.

5. **Sourcing and award**: Develop documentation conveying to the list of confirmed suppliers the scope and necessary terms and conditions under which the work will be conducted. Manage the process of clarification required to obtain comparable submissions. Evaluate the suppliers proposals and make award recommendations.

6. **Contract Management**: Ensures requirements in contracts are delivered maximizing value and minimizing risk to the company. Key focus areas are initiate start-up, manage performance & relationship with the supplier, execute close out of the business relationship between the supplier and company and feedback.

Overview of Common CM-Aspects and –Requisites.

Eight main elementary aspects of CM have been identified both from theoretic (literature) and the field research (case studies). For each of them, the findings and lessons learned regarding the CM-aspects and - requisites of "real" CM as observed in the private sector is now listed as a summarizing overview. Each characteristic sub-item mentioned has either already been established in current practice within the CM-models of the reviewed private sector multinational companies, or is mentioned by them as a precondition.

Alignment with the Business Goals

- The only right to exist for the CM-role, being a kind of 'natural interlinking connection', is aligning the organizational goals with the right long term strategic and tactical Sourcing and Supplier Relationship Management activities, as illustrated in Figure 1;

- CM-objectives has to be closely, directly and visibly linked to the prime business goals and strategy defined at 'Boardroom' level;

- Clear goals are required, which are translatable in SMART[3] Key Performance Indicators;

- It is also a vice-versa interaction: based on thorough market expertise, CM also can influence or contribute to the organizational goals;

- The main CM-purpose is steering, and the most important output of a CM'er is to deliver a strategic category plan each year";

- Procurement is a means and not a goal and must provide obvious and recognized service, support and added value to the business;

Stakeholder Involvement and Commitment

- Leadership and visible support, commitment and recognition from the top;

- CPO positioned directly under CFO or other 'powerful' member of the Board of Directors;

- CM is certainly not an isolated activity for the procurement function only;

FIGURE 1
Strategic Alignment of Category Management and Organizational Goals

- Internal engagement is key; do not act until you have commitment;

- The 'business' is the most important internal stakeholder and has to be actively involved;

- Involve –and get commitment of- other stakeholders & interest groups (e.g. suppliers);

- Creating and managing a true global category is not possible without taking away certain decentralized responsibilities;

- When starting: preach the CM-gospel by maximum communication with visible personal involvement of top-management ("soap-box" sessions);

- "Sell CM within the organization"; promote advantages to the BU's and its management;

- Accountability by credible results; rigorous reporting of results aligned to 'bottom line'.

Organization and Structure

- Company-wide scope and integrated approach (process, systems, people) required;

- No silo-orientated behavior but real cross-business cooperation;

- Position the category responsibility as close as possible with the end-user;

- The CM'ers work *at* and *for* the business, but they report also functionally to the CPO;

- CM really does *not* require major organization (structure) changes;

- The functional organizational setting is not matrix-like but almost virtual; this changed way requires much adaptation ("getting used") by employees involved;

- Category teams consist of procurement and material experts; with persons involved of all the important BU-stakeholders.

Process

- One uniform / standardized way of buying throughout the organization is necessary;

- Don't 'hide' behind single theoretical business and procurement models, but make a logic and integrated process-translation that fits the own organization and goals.

- Clearly defined, implemented and communicated CM-processes, including process sub-steps, with all required accessory working tools;

- CM is not everything under one contract, but knowing what is being purchased, where and under which contracts, as long as it is done under one single process;

- Organize centrally, but use decentralized in a uniform way.

Systems and Information

- Systems are essential in CM for two main reasons: 1) getting proper contracts- and spend-data and 2) to support internal and external communication;

- Consolidated data is the lifeline for CM, but ERP-consolidation of all BU's is not required: download data into one MIS and perform a proper analysis by fully qualified specialists;

- Use a central intranet as means for communication, information and training purposes;

- Organize easy and system-supported ordering possibilities from clear product/services catalogues (e-procurement).

People

- Having the right people is essential for turning CM into success;

- CM'er certainly not necessarily has to be a procurement person, but it can also very well be business representative;

- Do not continue with procurement personnel that is not capable/qualified for the new tasks;

- Highly educated senior person that is credible and knows the business very well;

- Is a real long-term strategist: developing, managing and steering/implementing strategies;

- Not a specialist; more a generalist ("more a conductor rather than a musician");

- Able to act innovative and pro-active;

- Great personal skills in communication, change management and persistent ("goal-getter");

- Not only use *financial* savings as KPI, also other/qualitative ones (e.g. contract compliance);

- Ensure favorable terms of employment, in line with the required quality and skill-level.

Category Determination and Spend Information

- Full procurement spend transparency is required (but on the other hand, do not wait until you have 100% data-coverage, so start on a "80/20" level);

- Perform your spend analysis directly in the beginning of the CM-implementation program;

- Define clear criteria to be used to define categories and boundaries of category groups;

- Maintain a logic distinction in scope-levels of categories (global, regional, local);

- Create standardization and economies of scale;

- NPR-categories are best suited to start a CM-initiative.

Governance

- Create a procurement board at top management level as escalation / exceptions approval;

- It must be clear who sets the targets and who determines the bonuses;

- For each CM-category project, have clear milestone decision moments and appointed managers being accountable for it.

In the next section, each of these eight main characteristic CM-requisites aspects from case studies, are reviewed and compared ("mirrored") with field research findings for the government situation.

ANALYSIS RESULTS OF CM-POTENTIAL FOR THE NL GOVERNMENT

NL Government Main Organizational Characteristics

For a good understanding, some organizational background is required. Where referred to "the Government" of The Netherlands in relation to the CM-subject in this paper, only the 13 central Ministries (including their own executing agencies) are meant, together employing over 116.000 civil servants. The Ministries can actually be seen as 13 independent governmental business units. Each Ministry has –besides a specific prime political field(s) of interest- also its very own unique organization scope and size (# employees, # agencies, total budget, geographical dispersal, etc.), as well as organization identity and culture. It differs to a very large extent between ministries how the various operational management ("PIOFACH"[4]) tasks, competences/power and responsibilities are further delegated and organized. Although *reliable* Government procurement spend data is not available, the total procurement budget for the ministries amounts tens of billions in euro. The Ministries procure a very wide range of goods and services, i.e. across the entire portfolio.

In the end, all the Ministries have the same prime 'customer', being the Netherlands society and its inhabitants. But, they all serve them through strongly differing *primary* activities ("policy fields"). The *secondary* (supporting) activities are gathered under the PIOFACH[4]-umbrella, in daily terms denoted under operational management. In accordance with the existing "Integral Management" philosophy as applied within the Dutch public administration, the ministries are considered as being *fully independent* with regard to operational management responsibilities. Obviously this also applies to all the procurement activities and responsibilities, which fall within the scope of operational management. No examples have been found that would support the existence of a firm direct link between longer term (policy-related) organizational goals and procurement strategies. As an expectable derivative of the extensive organization differences described, the ministerial executing procurement organization(s) and department(s) also vary widely concerning positioning, size and proficiency. Each individual procurement department, both at the central ministries and those within their large field-organizations (agencies), has different

status and support within their organization and also they have their very own procurement goals, priorities and activity-focus.

It is concluded that the Dutch Government is an extremely complex organization regarding organizational coherence and corporate steering principles (governance), especially in relation to the operational management. And certainly there is *not* one "Corporate Government".
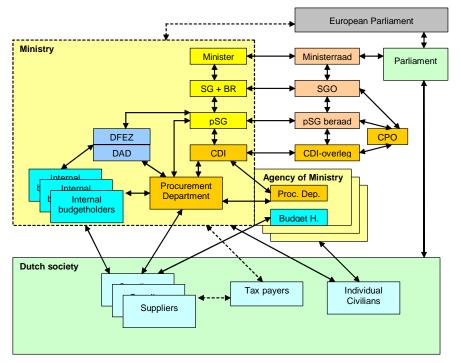
Public Procurement Stakeholders

Procurement cooperation acts in a network environment, also relevant for a good understanding in relation to the CM concept. When looking at the 'playing field' of the public procurement function, many persons and organizations are directly involved –or have an interest- in its input or output (i.e. "stakeholders"). Government procurement appears to have very, very many stakeholders! Based on my very own interpretation, figure 2 provides a schematic overview. It is obvious that –for the sake of simplicity- this is drawn up for *one* Ministry plus its 'accessory' agencies only. However, in the actual situation there are thirteen ministries plus their agencies, also having all kinds of different multiple inter-connections between them when talking about interdepartmental procurement cooperation. So, imagine the "Ministry"-part (including their agencies) as three dimensional with thirteen identical layers.

From this scheme, several public procurement 'stakeholder groups' can be identified. The most relevant ones for the purpose of this paper are mentioned hereafter, including their characteristic demands/requirements. This overview of the extensively deviating objectives, interest and priorities among stakeholder groups illustrates the complex environment in which governmental public procurement is acting.

The first group is the political and administrative top-level management, being the Minister, Secretary-General, deputy Secretary-General (pSG) and Coordinating Procurement Director (CDI). Their prime interest is compliance to the applicable procurement rules & policies to avoid political problems, sufficient participation in joint procurement programs and efficient and effective procurement support to the organizational goals.

FIGURE 2
(Simplified) Schematic Overview of Stakeholders in Government
Procurement

Secondly, a group consisting of Chief Procurement Officer (CPO) and the Council of Coordinating Procurement Directors (Dutch abbreviation: CDI's). They desire maximum participation in joint procurement initiatives by the Ministries, process efficiency and direct procurement savings through interdepartmental procurement cooperation, contribution in the development of policies and processes to evolve and improve the professionalism of the procurement function in general within Government, including the sharing of knowledge, experiences and procurement tools.

As third group the individual procurement departments within Ministries, including ones of their Agencies. Their focus is on professional procurement performance, from various perspectives: a smooth execution of EU-tendering processes, without lawsuit subpoena's to court by dissatisfied not-selected tender participants, selecting the

'best value for money' suppliers within the procurement portfolio, establish good and "workable" contracts with good contracts management preventing major problems during execution phase, support by adequate procurement systems such as e-procurement tools or contracts register and obtaining clarity with regard to participation obligation and responsibilities in joint/corporate European tendering projects.

The group of internal budget-holders (=directorates), both at the central ministry and at the agencies, being the most direct internal customers that actually require / order the goods and services for their prime process is the fourth group. They require timely delivery of the goods and services needed, meeting the required quality and specifications, flexibility in selection of suppliers and products/services and simple but effective procurement procedures, support and execution.

Controlling entities can be seen as the fifth group of stakeholders. This includes the internal auditing agency (DAD), verifying the compliance with of all procurement activities including (financial) administration with applicable rules and regulations (i.e. Lawfulness) and the financial controller (DFEZ), providing budgets and involved in invoice payment transactions.

Finally the sixth and largest group: the Netherlands society consisting of all 16.3 million civilians, represented by Parliament. As the end-customers they expect high quality Governmental services from the ministries' prime activities but also –as taxpayer- are procurement stakeholders in expecting that the budget provided is spend in a lawful and efficient way. Also the (many thousands of) suppliers, and their branch organizations are procurement stakeholders, desiring the Performance of (EU-) tendering projects in a professional and regulations-compliant (transparent, objective and non-discriminating) manner, resulting in contracts with reasonable contractual terms & conditions, a proportional (reasonable) dividing of project risks and reasonable profit.

Analysis, Findings and Results of Identified CM-Aspects and – Requisites

In this section, subsequently each of the eight main characteristic CM-requisites aspects from the private sector case studies are reviewed

and compared ("mirrored") with the government situation, based on the field research findings by means of interviews and questionnaires.[5]

Looking first at the questionnaire response in general, the following observation is interesting. For numerous questions, different choices are made between the two procurement target groups questioned (CDI's vs. Heads of Procurement Department), often varying from 20-30% but in some cases even exceeding 50%. This is a clear illustration of the aforementioned extensively deviating objectives, interests and priorities, even among these specific stakeholder groups supposed or expected to be closely related.

Alignment with business goals (Vision and Strategy)

As stated before, "*the*" Government does not exist! Although there certainly are overall ruling political objectives, each ministry is executing strategic goals for their own policy-field quite isolated from the others. This means that there is no corporate Procurement Value Chain. Also, the field research reveals that clear overall goals/strategies for supporting or secondary processes (i.e. operational management), a major part of the procurement spend, do not exist. Since clear business strategies are lacking, obviously a strategic link between organizational and procurement policies, organization and processes can not exist either. Even –a very surprising high- 40% of CDI's and procurement managers responded that achieving cost-savings is not a priority in their activities!

This leads to the conclusion that –in practice- central government procurement organizations, but also true for operational management in a broader sense, have very limited cross-ministry interest, are only limited strategic and often short-term oriented, define both their priorities and activity focus and rather isolated from the core business but from their very own procurement view of "what is good for the organization", have no corporate SMART[3] targets and accountable KPI's and are not at all steered by top-management to change all this. It should not come as a big surprise that, based on this rather 'sad' perspective, concerning vision, strategy, goals and business alignment with the primary activities, the government as corporate organization is really 'miles away' from the situation on the key aspects identified for the private sector cases.

Stakeholder involvement and commitment

The internal result- and budget-responsible managers are the most important stakeholders for procurement. Although they have certain

autonomy due to the assigned "Integral Management" (IM) responsibility, in general the research findings show that definitely they are willing to be relieved from operational management burden, under the condition that they are served well and in time with goods and services needed. Most of the respondents, i.e. between 60 and 70% for both procurement as well as budget-holders target groups, agree with the questionnaire statement that taking away partly freedom of own procurement choice within the given IM-mandates is realistic, while a minority of less than 1/3rd of the respondents have the opinion that a 'hard' change in governance steering would be necessary in this respect. Furthermore it is shown that the majority of the respondents (60%) mostly experience behaviour of "I have special requirements that do not fit in uniform specifications" and just want to have it quickly". Despite this view, many budget-holders are positive about the benefits of joint contracting, as long as there is room for exceptions.

A striking result is that 60% (!) of the procurement managers, another important group involved, stated *not* to support a Governmental CM-initiative, even if it is done structured and professional, because they see too many risks for their own organization. So it is clearly not a matter of creating CM-commitment with the non-procurement stakeholders only! Here lies a challenging task for the CPO-*Rijk* and the CDI's in creating sufficient trust and confidence when starting with CM.

Van Weele et al. (2005) state: "*Corporate purchasing initiatives are often blocked by local managers*". They elaborate that there are two reasons that brings a group of functional departments, business units or purchasing groups to meaningful co-operation and exchange of information and knowledge: first because a central power forces them to co-operate with each other (*mandatory* basis) or second, because they want to co-operate to serve their self-interest (*voluntary* basis). Also they identify four other factors that also explain successful co-operation: [1] Trust, [2] Common and congruent interests, [3] They are complementary to each other in reaching a "stretched goal" that each Business Unit (BU) cannot reach by itself and [4] Personal success in career opportunities or financial rewards when co-operation is successful. Also they explicitly conclude that capitalizing on potential synergies in the cross-business area has a "hard" side and a behavioral "soft" side.

The research results demonstrate that firm CM-commitment at ministry level absolutely requires unambiguous support of the highest

Management Board at the Ministry ("*Bestuursraad*"). Obviously, both stakeholder involvement and commitment are closely linked with the subject governance (addressed separately in this paper).

Organization and Structure

A general supported perception about the role and positioning of the CPO-*Rijk* function is that its current positioning under the Deputy Secretary-General within the Ministry of Economic Affairs is not an optimal one, because not 'heavy' enough to create enforcing power where required. Referring only to the first two paragraphs of this section, it is assumed that the characterization of a 'scattered' and thus very complex organizational structure and responsibilities within Government and Ministries needs no further elaboration. Concerning silo-oriented behaviour, as confirmed by most (70%) of the questionnaire respondents, it is clear that governmental organizations in general are acting within their very own boundaries, thinking in their own specific interests only, not being focussed on corporate goals. However, it is also clearly recognized that this is rapidly changing.

Two pre-conditions in relation to organization and structure, i.e. that "CM has a company-wide scope and an integrated approach (process, systems, people) is required" and "No silo-orientated behavior but real cross-business cooperation" respectively, are deemed really difficult to meet or fill-in. The remaining pre-conditions or key-characteristics mentioned, by making the right choices, with a careful approach and proper management, it should (theoretically) be possible and feasible to fill in these requisites for CM within the Government rather well.

Process

It is demonstrated that no basic uniform 'regular' procurement process is available within the ministries, so the more 'broad' CM-process aspects are not present whatsoever. Of course the mandatory European Tendering Regulations (BAO/BASS)[6] are a leading process-element in public procurement. Despite the fact that it only covers the single "Sourcing and award" process step, in practice it is also certainly not a standard Government working process. Each individual ministry has differently worked out the BAO/BASS into their very own EU-tendering policies, processes, procedures, document standards and working tools. And within the ministries, the various ministerial agencies often even have their own 'derivatives' again. A specific and rather

complicating element of the BAO is related to the so-called "Canon-Arrest", where upfront it has to be 100% clear in the tender publication which public entities are participating in a tender so the supplier market can fit their best offer and solutions to this. This means that it is legally not allowed to enter into (framework) contracts, and afterwards adding additional public contracts-'users' during the contracts management phase. This definitely limits the cooperation process flexibility compared to the private sector companies.

A very substantial reference document was published in 2003 on all the main (process-) elements of interest that have to be taken into account when considering/performing cooperative public procurement projects the "*GIA-leidraad*" (Hendriks, M&I Partners, 2006). Since the original document contained too much material to read, was not user-friendly and too theoretic, it has been reworked in 2006 into a more usable form, identifying more clearly the process phases, milestone decision moments, products and responsible owners. The GIA-rewriters stated a big truth: "*With the document only, you are not there; it still has to be going to be used in practice*", and therefore they recommend [1] to ensure that it's **good** (check its use in practice, improve it further and provide an intranet version with tools) and [2] that it's **known** (Communication, training, embed a working-out in a procurement process).

Obviously, the government as a corporate organization is still far away from the required process situation on CM pre-conditions / key-characteristics in private sector cases. However, the *GIA Leidraad* does contain a number of basic elements that could be used, together with the provided thesis CM research material, as a first starting point for creating the necessary uniform public CM-process, fitting the government culture, plus the underlying standard working procedures.

Systems and Information

If there is one subject where the desired standardization for purpose of intercommunity is in harsh conflict with the decentralized column-way it is organized in the public sector, it is ICT-systems. Within Ministries and its Agencies, autonomy of the ICT-management departments is still very strong, often leading to "local" ICT-solutions, both in basic ICT-infrastructure (networks, hardware and software) as in the various user-applications. Despite the fact that also in this area in the recent past years some interesting steps forward can be observed,

nowadays the cross-organization activities in relation to the Operational Management still suffer a lot from this dissension.

Six main ICT-system aspects supporting CM have been identified and reviewed: 1) Basic ICT network infrastructure; 2) Data warehousing gathering the spend data a basis for strategy development; 3) Supporting systems for sourcing, tendering and contracting; 4) Contracts-registration and -management systems; 5) Catalogue-supported on-line ordering systems (e-procurement) and 6) Overall management information systems.

It is concluded that the existing network and intranet infrastructure should be no obstruction for sufficient interdepartmental system access and data transfer. On the issue of data collection, similar to the private sector, each business unit having its own ERP-system is not a 'show-stopper' to obtain data from the various systems. But, it requires the organization of an intelligent business warehouse system that extracts decentralized bare data and centrally processes it. Also for the government there should be no principle barrier from a systems point of view, since not the available systems are the limitation, but information stored into it ("*Garbage in = garbage out*"). Concerning the 3rd system mentioned, a government-wide solution is already under construction: "*Tendernet*", specifically focussed on supporting the EU-tendering process. Although it is expected to require still a substantial period of one to two years towards full completion, no new initiatives are expected to be necessary in this area to support a CM initiative.

Contracts-registration and -management systems, the 4th aspect, is definitely much more complex. However, basically this is not an ICT-related issue, but merely a strategic management aspect of harmonizing the numerous different procurement *processes* and related procurement sub-systems currently in use within the ministries. About 50% of the questionnaire respondents do not even see it as feasible to create one actual government-wide contracts-management system, while 2/3 of the ones that do see this as possible, have the opinion that a central systems solution would be required.

The current interdepartmental contracts database system, initially filled with data extracted from the EU Tender Electronic Daily (site where all the EU-tenders are published), is far from complete and 'polluted' and therefore of no use in procurement execution practice. Procurement departments are using there own systems linked to their

own procurement processes and do not want to do double registration and maintenance work on contracts data.

Having catalogue supported on-line ordering systems (e-procurement), the 5th aspect, is definitely a pre-requisite for CM, but this already has a 'turbulent' history within the Government. By the end of 2005, six ministries contracted one supplier for the supply of an electronic ordering and invoicing system ("*Electronisch Bestellen en Factureren"* - EBF). It appears that only minimal progress has been made on its implementation and one ministry even totally stopped the project. As main learning- and improvement points are mentioned that the implementation is under-estimated, there is a lack of management-control, the supplier has performed insufficiently, the translation from (different) goals towards actions is often insufficient and there is little cooperation between the ministries. There is no doubt about it that all required e-procurement and e-invoicing functionalities are readily and state-of-the-art available, but the organizational aspects (viewed in a broader sense) are again in this subject heavily surpassing the ICT-system aspects.

To conclude, it is clear that organization-wide CM within the government would require various supporting systems. However, they are 'means' (tools) and certainly not 'ends' (goals), and determining which systems are really required and in which sequence and coherence is a result of a very clear CM-strategy. Although no real technological blockades seem to exist since all systems types mentioned are readily available on the market, still a large organization-related barrier exists in relation to ministry-wide CM. Due to the fact that systems closely interrelate with (or actually are deducted from) various other main aspects such as vision/strategy, process, governance, commitment, the extreme organization-complexity causes a serious question whether it is possible and feasible to fill in the system-requisites for true Government CM.

People

Looking at the profile characteristics as distilled from the key-characteristics, it is clear that a successful CM'er must be a rather 'heavy' archetype, not only from knowledge and experience but even more from the perspective of personal competences and skills. This is even more the case, since it is commonly recognized in general that within public procurement the required level of soft skills is in some

respect even somewhat higher than the private sector due to the extremely complex organizational setting. Changing to working in a more virtual/network-like CM-setting instead of the traditional matrix-type organization requires much adaptation (getting used) of employees involved. Due to the combination of all these CM'er requirements, it requires a well-considered profile(s) definition when entering into government CM-function(s). Most of the questionnaire respondents (70%) agree on the opinion that the end-responsible CM'er must be a functional end-responsible person from 'the business' rather than a procurement 'heavy-weight'. This means that, dependent on the category involved, CM-persons can be selected from either procurement or 'business', dependent of the 'accents' in the specific requirements for that category.

Over 50% of the questionnaire respondents do see recruitment and retaining of the right-qualified procurement personnel as the largest bottle-neck in relation to HRM. In the current raising labour market, two main aspects become more and more important to compete as government with a private sector: [1] salary and [2] career perspective. Knowing the quite huge salary-'brackets' that are currently offered to well-qualified CM'ers at the multinational companies, and at the same time knowing that in general the operational management functions are certainly not 'heavily rewarded' in the job-function appraisal system used by the government, there seems to be a real potential problem with regard to salary-competitiveness. And assuming that it would be possible to create some heavy-scaled CM-functions, when looking at the scope and positioning of the current procurement and middle-management functions within the government, real career possibilities for a CM'er on a longer term seem very limited. Also the private sector is working with target-bonuses related to personal SMART-defined KPI's, in order to boost the performance and company-benefits from CM, but this phenomenon as a regular instrument cannot be accommodated within the current government's standardized terms of employment.

Since some of the reservations concerning the identified pre-conditions and key-characteristics are strongly dependent on the (centrally defined and rather inflexible) governmental standardized terms of employment, which cannot be easily influenced by procurement management, it is questionable whether it is possible and feasible to fill in the personnel-qualitative CM-requisites.

Spend Information and Category Determination

First the issue of spend information availability within the government, stated to be crucial for CM. The questionnaire response demonstrates only about 20% of the respondents state to have an on-line available full and reliable view on all procurement spend, another 30% has reliable data but only available as a snapshot, while almost half of the respondents stated to have no trustworthy spend data available! Having not even proper spend data available on many ministries itself, this probably explains the very high figure of 80% of the respondents that are of the opinion that it will not be possible to generate a reliable government-wide spend overview by means of data analysis, within a time-frame of one year.

As second subject the category determination. Central ministries are not product-manufacturing companies in a classic industry definition, but primarily can be regarded as office-oriented either policy-making or service-providing organizations. Exceptions are a very few ministries that are in addition also performing very large and special procurement investments on a *project* basis (e.g. public infrastructure, military weapon-equipment). Anyhow, by far the majority of all ministerial procurement can be regarded as concerning the so-called Non-Product Related (NPR-) categories, meaning that the first pre-requisite mentioned is easily and implicitly fulfilled. Since an estimated 99$^+$% of the *NPR-*procurement spend is contracted with suppliers *within* the country borders of The Netherlands, the Dutch Government is not a global (worldwide) or regional (continental) company. So, basically the second pre-requisite is not expected to be applicable at all for NPR-categories.

A public procurement category definition list does exist, but a 'procurement classification' list has been composed for the purpose of *uniformity* only, in order to facilitate more easily benchmarking and procurement cooperation. It contains 7 main categories are defined, consisting of 42 procurement subcategories. No 'CM-oriented' criteria, such as procurement spend or economies of scale were used whatsoever in composing this list. When looking into the nine product categories that have been involved in joint interdepartmental tendering initiatives the past years (Printed matter, ICT, Communication, Traffic & conveyance management, Mail services, Office supplies & furnishing, Energy, Housing, Vehicles) my research has not revealed any kind of thoroughly

'academic' criteria-based study on the basis of which these categories were selected.

In the Questionnaire, each respondent was asked to 'tick', out of fifteen potential choice-answers, the five criteria they found most relevant for determining categories to be considered for government-wide CM. In general the CDI's have a very similar preference as the Procurement Managers and the Budget-holders choose exactly the same seven most preferred criteria, although in a somewhat different sequence order. The ranking in sequential order by Procurement (starting top-down with the most important criterion) is:

- Existing uniformity in requirements (Ministries using about the same)

- High level of specialist product-knowledge required

- Very good possibilities for realizing requirements standardization

- Proven cost-advantages achievable through 'economies of scale'

- Necessity of thorough market knowledge (changing market situation)

- Financial procurement spend volume (in €) for a category

- Good coherence between article-groups; easy to bundle into category

It is remarkable that one of two criteria as used in the Kraljic portfolio model "procurement spend volume", is not scoring in the top-3 and that the other Kraljic criterion "Complexity of supply market / supply continuity risk" had such a low score that is not even present in this ranking. Since it is assumed that many of the NPR-categories for the Ministries will be present within the top left quadrant ("Leverage") of the Kraljic matrix, it can be concluded that mainly the commonality level of the product/service-requirements and the required level of very specialized product/market knowledge will be decisive in determining the priority-ranking of government categories.

It can be concluded that it should be easily possible and feasible within the Government to fill in the CM-requisites with regard to category determination efforts. But on the aspect of obtaining reliable ministry-wide procurement spend information for CM-purposes, there is a rather large deviation compared to the private sector situation and a substantial risk exists when the CPO will not be able to tackle the many challenges ahead in achieving the required spend-data availability.

Governance

"Control" has one meaning referring to steering, but another being auditing/controlling. The first meaning relates to the initial part of this paragraph: setting the targets and having all measures in place and properly working so fulfillment of these targets is ensured. Based on the research performed, the perception on 'being fully in control with procurement' certainly is –unfortunately- not similarly positive!

Since the public sector is not used to work with pre-defined bonuses, the CM pre-condition "*It must be clear who sets the targets and who determines the bonuses*" is for Government procurement basically limited to the issue: "*Who is/are (or should be) really formally end-responsible for setting the targets within public procurement?*". Stated otherwise, the question is in fact: Who is steering? During the research, this question appeared to be extremely difficult issue to answer, and the views rather diverted. This is not really unexpected, looking at the earlier findings that the Government is an extremely complex organization, having numerous and heavily varying public stakeholders with different interests and that the CPO-*Rijk* having a 'difficult' formal hierarchic setting and position. It is obvious that the ministers have the *political* end-responsibility and in the end the Council of Ministers is steering ("*But even Ministers are limited in their enforcing power.*"). Concerning the *administrative* level there was no discrepancy in that in Ministries the Secretary-Generals are formally in charge. However, in all cases they delegated operational management responsibility to their (less powerful) deputy-SG, who have no hierarchic position with enforcing power towards (most of) the budget-and result responsible Integral Managers.

A second aspect of governance is *controlling and reporting*. This meaning of "control" relates to the auditing function, in the government traditionally being very 'heavily-equipped'. Most important ones are the General Accounting Office and the Auditing Directorates within each ministry. The main focus of the auditing function in relation to procurement is verifying that the many governmental financial management (including procurement) rules are complied with (i.e. lawfulness), including contract compliance. Efficiency and effectiveness, being basic goals / results of CM, are in most cases hardly –or only secondary- audited in the public sector procurement.

The third and in this respect last aspect of governance is *addressing and sanctioning* in order to hold appointed managers accountable. The

questionnaire provided a large spread/'diffused' response to the question: "*Who should be end-responsible in this respect to address budget-holders/ managers if they do not complying with cooperation agreements made at organizational top-level?*". Most budget-holders (about 45%) chose the SG of the Ministry of Economic Affairs, while most procurement representatives (about 35%) prefer the Deputy-SG of that same ministry. Private sector companies can be very clear and 'hard' in taking 'sanctioning' measures on individual managers that (repeatedly) do not comply to operational management related agreements made. On the contrary, being accounted for with 'firm' consequences (ultimate measure: discharge from function) definitely is not common within the government. A governmental culture aspect, especially when clear enforcing power, reporting obligations and sanctioning are lacking, is the "saying yes and doing no" attitude. Sanctions often don't go very much further than 'name and shame' or –in exceptional case of very obvious incapability- transfer to a different function.

Concluding view is that within the complex governmental organizational situation, it is much more difficult to arrange for the governance aspects with regard to setting the targets, performing its execution and enforcing use and observance of the results. So, only in case the CPO will be able to create the right steering and decision vehicle (e.g. a strategically oriented procurement board with decisive mandated responsibilities) it might be possible and feasible to fill in the CM-requisites on governance within the Government. Regarding *control*, views differ on the level of '*being in control*', but the aspect of auditing - related to *compliance verification*- is rather easy to organize. Addressing non-compliance is possible to a certain extent when organized well, but the government does not have a culture of very 'firm' sanctioning, certainly not in case of non-compliance with operational management aspects.

Concluding Overview of Finding Results

When describing the characterization and organization of the Dutch Government, it was already concluded that **the** government does not exist. Although often seen as one entity, in practice it functions as 13 totally independent business units (ministries), some also again having large –but independent- agencies. Operational management, including procurement, is a secondary function basically lacking political attention and strategic goals set by top-management. Specifically with regard to

the operational management organization and procurement cooperation focus, there is a substantial difference between smaller and larger ministries. A basic stakeholder analysis is performed and, as a result of several causes identified, it is concluded that governmental procurement has very many different stakeholders with different objectives and interests.

For each of the eight main aspects, the determined most characteristic pre-requisites from the private sector field research cases were used for "mirroring" the Government situation in order to define its CM-potential and deficiencies. The field research in support of this analysis is performed by means of both some top-management interviews and questionnaires.

A detailed analysis is performed for each elementary aspect of private sector CM, resulting in many observations and sub-conclusions, amongst others:

- In relation to CM, the Dutch government situation is in many aspects *totally* incomparable with that of large private sector multinational companies.

- Business alignment is hampered by the complex and not uniformly organized government having differentiated goals, lacking a corporate identity and clear top-management vision;

- When looking at the stakeholders identified, the question comes up: *Who's really in charge?*

- In many aspects a rather giant leap has been revealed between the existing situation and the level deemed required for "real" CM;

- Organization structure and silo-oriented behavior endanger the integrated CM-approach;

- Developing a CM-process is one of the key requirements for successful CM, but process material gathered during thesis research can provide a sufficient basis for this;

- CM-systems meets with organization-related barriers rather than technological blockades;

- A substantial risk exists that the CPO-Rijk will not be able to establish spend-data availability;
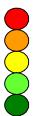
- HRM-policies and standardized terms of employment seriously hampers recruitment and retaining of the right-qualified procurement personnel for the 'heavier' CM-functions;

- Existing 42 procurement segments are a good basis for further category determination;

- Firm sanctioning-culture is lacking which make it very difficult to arrange proper governance.

Summarizing, the concluding view with regard to possibility and feasibility to fill in the main CM requisites for the Government situation is represented graphically and shown in Figure 3.

FIGURE 3
Concluding Overview for Main CM-Aspects on Both the Level of 'Match' with the Private Sector CM Pre-Requisites and the Possibility/Feasibility Level to Fill in Lacking Ones

= **"*Show-stopper*"** (No 'match' with private sector CM; not deemed possible and feasible to fill in CM-requisites)

= **"High Risk"** (Hardly any 'match' with private sector CM; only limited possible / feasible to fill in CM-requisites)

= **"Medium risk"** (Partly 'match' with private sector CM; reasonably possible / feasible to fill in CM-requisites)

= **"Low Risk"** (Rather good 'match' with private sector CM; most CM-requisites are deemed possible / feasible)

= **"Well in Place"** (Perfect 'match' with private sector CM possible / all CM-requisites possible and feasible)

Interdepartmental Procurement Cooperation Drivers and CM Ambition Level

This final field research paragraph contains some 'remaining' investigation finding results from the interviews and questionnaires, which are thought to be relevant in relation to mind setting, strategy determination and decision-making on the CM subject.

It is widely recognized that the procurement function within the Government has evolved into an appreciated specialist's profession. When asked about the most important added value(s) of the procurement function in general, without exception all respondents mention a combination of *lawfulness* (supporting the internal customer in contractual risk reduction and complying to procurement regulations and complex EU-tendering procedures) and *efficiency/effectiveness* (best quality products required for the prime process at the lowest cost, market- and supplier-knowledge, optimal use of economies of scale, contribute to standardization in products/services). Procurement cooperation is seen as an absolute necessity. With ministries enforced to shrink heavily in the coming years, having all expertise (both material-related and procurement) within each ministry on all subjects can simply not be afforded any longer. In general a majority of the respondents see a necessity for further procurement cooperation and CM-like initiatives.

In the Questionnaire, each respondent was asked to 'tick', out of eighteen potential choice-answers, the five criteria they found mostly relevant in this respect. Although about the same drivers for procurement cooperation were selected by the Procurement and Budget-holders target groups, they had a different priority ranking. Starting top-down in sequential order with the overall most often selected answers, Table 1 provides the ranking for both questionnaire target groups.

Now, to finalize, some remarkable differences shown with regard to perceived CM-ambition levels.

First of all, the general idea about CM is certainly not "everything always together", but what should then be the aim? In the questionnaire response, about 60% (!) of the Procurement Managers stated that they would *not* support a CM-initiative anyhow. Looking to additional response remarks they have provided, especially Procurement Managers seem quite reversed and skeptical regarding the CM-ambitions.

TABLE 1
Ranking of the Procurement Cooperation 'Drivers' from the
Questionnaire Response

Description of motives/drivers for procurement cooperation	Rank	
	Procurement	Budget-holders
Efficiency in conducting EU-tendering procedures; not necessary for every individual ministry to build-up knowledge and 'inventing the wheel'	1	2
Enables to act much more as 'one Government' in operational mgt.	3	1
Promoting joint / corporate operational management initiatives	5	2
Further process-development of joint tendering: strategy, execution	2	5
Enhance a sustainable government procurement-network	4	3
Support innovation in procurement and EU-tendering	4	4
It is what the tax-payer requires: more efficiency and 'value for money'	7	3
Better image of Government as a buyer within the supplier market	6	5
Improve the procurement function image (political & top management)	4	7
Stimulate sustainable procurement	8	4

Upon the question "*In your opinion, when (at which concrete results) is the introduction of CM at the government successful?*" a rather wide range of answers was received, meaning that no real uniformity of opinions exists. Most of the procurement respondents (35%) were satisfied with a result (within a time period for 3 years) that government-wide the *whole* procurement spend and *all* contracts are 'in sight', and that at least 10 categories are organized and managed by government wide uniform CM resulting in less than remaining 5% 'maverick buying' per category.

The deputy Secretary General's are even more conservative and/or reluctant, since they declared CM already successful in a range of opinions varying between "*securing the previous achieved joint procurement results only*" and "*3 categories full scale arranged by CM within 3 years*". During his interview, the CPO showed a much higher ambition: "*After 3 years, CM being implemented for all 42 categories*". It seems that the CM ambition level of the CPO-*Rijk* substantially deviates from the responsible procurement representatives of the ministries (both CDI's and Heads of the Procurement departments.

It is concluded from the thesis research that currently a lack of sufficient CM-commitment exists, while also the policy level demonstrates a deviating ambition level and different perception of the anticipated CM-execution 'speed'. Taking the many and complex/challenging identified pre-requisites into account**:** a successful CM implementation is certainly *not* possible without sufficient trust and commitment. Getting commitment and cooperation for large procurement initiatives like CM, from an organizational perspective, is even more difficult in the very complex Government organization than it already is in the private sector. So, to begin with, the ambitions and expectations of the CPO-*Rijk*, the CDI's and other important (procurement) stakeholders absolutely need to get aligned in a sufficient level!

RECOMMENDATIONS

1. Do continue with the anticipated CM initiative within the government, but acknowledge that:

    - the public sector in many ways differs to a great extent compared to private companies;

    - CM has far reaching consequences in the entire operational management, so don't see it as either a 'procurement-only' development or as 'just a simple continuation of the former joint EU-tendering and contracting ("PIA/PIT").

2. Although many pre-conditional aspects are involved, of which many require intensive initiatives and activities: keep the overall CM-project structured and phased properly and manageable, do things in

a certain priority order and take care of not doing too many things at the same time!

3. Above all: fill in –ensuring full commitment of all the stakeholders involved- the "*why*" (vision, necessity reasons, sense of urgency) and the "*what*" (SMART CM-goals/objectives based on reliable government spend analysis information and KPI's with regard to the defined targets), definitely before entering into discussions –or worse- early execution on the "*how*" (process, people, systems, organizational structure, governance, category definitions, etc.).

4. One large central procurement and/or financial system is not directly required for development and implementation of CM, but anyhow do assure from the beginning [1] that corporate spend analysis will be enabled and supported by a proper data warehousing tool and [2] that a central intranet portal can be organized for information and communication purposes, both on general CM-aspects, tools, etc. as well as concerning all existing central contracts.

5. Very early in the CM-development process, design, create and put in place a *temporary* project organization with sufficient capacity and capabilities. The project organization must fall under the end-responsibility of the CPO Rijk and should be *totally separated* from –but extremely closely cooperating with- the appointed *permanent* CM 'line' organizations per category within the ministries.

6. Take the diversity (differences) of the various ministries into account and, especially in the starting phase, give room for well-motivated exceptions and differing participation by ministries per defined category (cafeteria model). But, find a good balance between the 100% mandatory joint categories where desired functionally because of efficiency reasons on the one hand and categories for which motivated exceptions are allowed on the other. In this respect, sometimes it especially might be more beneficial for the large ministries to create enhanced procurement cooperation and 'economies of scale' with their own large Agencies, instead of looking for a kind of forced cooperation between central ministries in 'The Hague square mile'. In general, be transparent on criteria used for deciding whether or not any category-exceptions are allowed, and ensure compliance by a well-arranged and 'decisive' governance structure.

7. Put internal customers (i.e. budget-holders) requirements fulfillment as starting point and manage their expectations. Do everything possible to decrease silo-oriented behavior between ministries. Sell CM within the organization. Clearly demonstrate and extensively communicate and promote forecasted stakeholder advantages in multiyear perspective ("*What's in it for them?*").

8. Deeply involve line management, giving them partly the responsibility for CM-implementation and do not turn it into a 'procurement party' only. A solution to 'materialize' this line management involvement issue could be found in the creation of a strategically-oriented procurement board at 'corporate' level. Such a procurement board must be composed of real top-level management, being mandated representatives (with *formal* allocated category end-decision responsibilities); and each being equipped with and supported by an adequate CM-team. So, having both the hierarchic power and possibilities to enable ordering, steering and managing of the execution of approved CM-projects and be fully accountable for the result.

9. Keep your promises, and meet or exceed the targets ("*Do what you say*"). Ensuring sufficient credibility throughout the CM process is extremely important in order to retain the stakeholders' involvement and commitment. Create trust and confidence.

10. For the short term, since it will also be partly a basis for further CM initiatives, do ensure that the currently existing PIT-contracts are going to be managed adequately, visibly and in a more uniform way, including internal communication and information in supporting proper use of the contracts and external supplier management.

11. The following logical order of things is suggested for further CM-initiative development:

    a. Arrange and organize actual, reliable and full transparent information on the procurement spend portfolio (preferably on-line available) for all 13 ministries, including detailed data on € expenditures per sub-category, all contracts in place, # of suppliers, # of invoices etc.

    b. Perform a thorough portfolio analysis as a basis for identification of corporate procurement opportunities, a rough prioritization (use criterion ranking as given on page 13) and –most important-

as basis for discussion with the ministries to get commitment on their participation and support for CM-concept in general.

c. Get a clear agreement of the multi-year timeframe and the expectations of the various stakeholders (and be realistic on this; remind that it has taken Shell about 10 years to get to the sophisticated level where they are now!).

d. Have clear appointments and agreements about roles and responsibilities; improve the role division between pSG-council, its core-team Procurement, CPO-Rijk and the CDI-council.

e. Specify and organize the CM cooperation model having optimal performance and control phases clearly in mind directly from the beginning.

f. Bearing only a limited number (e.g. 3 - 5) categories in mind, being selected and prioritized on well-defined criteria, start with designing and planning a required minimum working CM-*infrastructure*, using the following chronologic:

(1) From day # 1, ensure the availability of one central well-managed government-CM intranet-portal, easily accessible from all ministries for each individual person involved in or affected by CM whatsoever, where all relevant and up-to-date information can be found, such as general background information, points of contact, CM-process and procedures, with hyperlinks to all required underlying clarifications, information and supporting tools per process sub-step, CM-results achieved, (links to) a single central contract data-base, etc. This is the CPOs "*show and shop-window*" concerning CM.

(2) Develop **one** single CM-process, to be used *mandatory* as a standardized vehicle by every CM project group, with clear milestone "go/no-go decision moments". Take the six phases and (sub-) activities mentioned on pages 4-5 as an example, integrate the existing "GIA-*Leidraad*" in the sourcing and award phase, and produce one process fitting the government culture in order to support widely acceptance.

(3) Find end-responsible and accountable *business* representatives for each category ("Category Owner"), who

have a large interest in the category, in order to keep CM as close to the business (budget-holders) as possible. They are each steering their CM-team involved and report to a Central Procurement Board (see recommendation 8.).

(4) Create a virtual CM network organization, where each CM-team is placed under direct *formal* authority of its appointed Category Owner, and the CPO-Rijk having a *functional* relation to all CM-teams with regard to reviewing progress, auditing quality and results achieved, etc.

(5) Define the (minimal) requirements for an employee, including education, knowledge, experience and competences, necessary to be appointed as a CM'er. Subsequently, appoint or recruit the right-skilled persons, and make them end-responsible for both category strategy delivery and the execution of the CM-team activities;

(6) Ensure that all resulting (framework-) contracts, including underlying documents such as user guides, ordering catalogues, contract management information, etc., etc., are available on-line via the already mentioned central CM-portal, allowing it to be used decentralized in daily ordering practice very easily ("*Seduce to its use*");

g. Perform thorough analysis of milestone completion and progress of the overall CM project, have the achieved results externally audited and report them regularly and extensively towards the responsible and decision-making stakeholders;

h. Only after successful implementation and proven positive results of the pilot categories, extend CM approach towards more new categories defined. Once the structure and the pre-conditions are in place and working, it is basically easy to add new categories to CM.

NOTES

1. This paper is based on the author's Master Thesis that formed the basis for successful "Executive MBA in Procurement Management" graduation in 2007.

2. The Future Purchase Alliance (FPA) is a team of consultants and practitioner focussed researchers in Scandinavia, UK, France, USA and The Netherlands. Their aim is to examine major procurement performance levers capable of delivering substantial business improvement while building distinctive procurement competence. FPA is actively supported/funded by Future Purchasing Ltd. (www.futurepurchasing.com).

3. SMART = Specific, Measurable, Acceptable, Realistic and Time-related.

4. PIOFACH = Personnel, Information, Organisation, Finance, Automation, Communication & Housing.

5. Note to avoid potential misunderstanding: if statements in the text might raise the impression to be written 'subjectively' by the author, it is emphasized that they are derived from the extensive field research response.

6. "*Besluit aanbestedingsregels voor overheidsopdrachten*" (BAO) and "*Besluit aanbestedingen speciale sectoren*" (Bass), being the Dutch implementation of two European Union tendering directives (no. 2004/17/EG and no. 2004/18/EG)

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