

# Doing Battle with the Deficit

Research on the attitudes of UK public  
sector procurement and finance  
professionals towards deficit repair



**WAXX DIGITAL**

Research commissioned by Durham University and Wax Digital Ltd

## CONTENTS

FOREWORD	i
EXECUTIVE SUMMARY	ii
RESEARCH METHODOLOGY	iii
SECTION A: GOVERNMENT STRATEGY	1
SECTION B: BUDGET CUT IMPACT	3
SECTION C: COLLABORATIVE PURCHASING	5
SECTION D: SPEND MANAGEMENT	7
SECTION E: TECHNOLOGY ADOPTION	11
CONCLUSIONS	15
QUESTIONNAIRE COPY	16
ABOUT THE SPONSORS	21

## FOREWORD

Public sector organisations and their suppliers face interesting and challenging times. A new government brings immediate budget and spending changes right across the sector. The alleged 'age of irresponsibility' and the 'time of plenty' within government have ended. We are told it's all hands on deck to tackle the deficit and rebuild a more balanced Britain.

The education sector's planned £200million cut from university funding is expected to halve the number of additional student places at universities this year. With government borrowing at an all time high however, we all have our part to contribute in clearing the national debt and bringing spending in line with resources.

While the rise in university places will slow, increased value will also need to be driven from the processes and methods of purchasing resources required to run educational establishments effectively. Maintaining front line services at a premium despite back office spending cuts requires creative thinking and new approaches.

The suggestion that we are rising out of a period of excess may however grate with those working in key procurement positions, who have worked hard to achieve savings and efficiencies under the previous government's initiatives and streamlining measures, including the Gershon spending review. It's fair to say that in procurement, the last 13 years has already seen massive change in the way the public sector operates, probably more than ever before.

The process of this change hasn't been perfect, nor is it complete. The change has, however, been progressive. Procurement departments generally don't have the opportunity they did ten years ago for achieving quick and easy cuts and contract negotiations. With much of this work done they must turn their attention to other ways of cutting back. But what are they?

Today, best practice procurement is about looking at the associated complexities from multiple perspectives, because savings along the road ahead will require a far more dynamic, cohesive and strategic approach to purchasing and supplier relationships. Real procurement efficiency involves changing the way you purchase, what you purchase, when you purchase, plus high levels of automation all at the same time.

The 'quick bucks' have been made already so now the attention needs to be on developing purchasing and supply ecosystems that achieve sustainable, high value deals but also make it easier for the supplier community to do business with us, in the long term.

At Durham, for example, work has been done to renegotiate contracts and streamline the process of purchasing. Now that we have sound foundations in place we're working to fully automate processes so that our procurement minds can be more creative and less administrative, focusing on the things that will drive consistent and long term savings and not short term gains. We've realised that procurement is not just about formulaic processes or achieving best prices through open tendering. It's about source-to-pay, collaboration, reducing maverick spend and importantly being an open and flexible partner to our supplier community.

We engaged in this research with Wax Digital because we wanted to understand what the attitudes across public sector procurement were towards the change in government and its inevitable scrutiny on public spending. We were also keen to understand what level of automation and alternative sourcing methods have been implemented in purchasing processes. Durham has achieved a great deal in purchasing efficiency already, as have others. We believe gaining real benefit from doing this comes from sharing our views and experiences across the sector, as working together, rather than separately will help us all to achieve consistent best practice and contribute the maximum to deficit repair.

The research has shown that there are tougher times ahead and that elements of spending automation and modernisation have already been developed across the sector. Reassuringly, it also shows that there is further room for manoeuvre in efficiency drives; procurement still has something to contribute which can positively impact deficit repair, hopefully with minimal impact on front line service cuts.

We hope you find the report equally useful in your development of new procurement policies and methodologies, as you strive to deal with the new budgetary control of the incoming government.

**Laura Watson**  
Deputy Director of Procurement  
Durham University

## EXECUTIVE SUMMARY

### **Procurement is ready to lead the charge, but is it fully armed?**

Following the 2010 general election and arrival of a new government, Durham University and Wax Digital collaborated to survey the opinions, outlooks and achievements of procurement and finance professionals across all areas of UK public sector.

The research objective was to understand the sentiment of public sector purchasing on the eve of the UK's deficit repair journey. The research was also designed to understand what had been achieved in the public sector in terms of spending efficiency to date and what scope there was for further efficiency gains as part of future cost cutting.

Quantitative research was conducted through an online survey looking at five key areas; Government Strategy, Budget Cut Impact, Collaboration, Spend Management and IT Automation. The survey sample of 115 covered personnel at various levels, mainly in public sector procurement departments but also finance and IT.

The research indicated that public sector procurement is ready and willing to lead the battle in reducing public sector spending as part of deficit repair. The question it raised however is whether they have the armoury or the powers at their disposal to do so today.

With a new government insisting that no time should be wasted in finding ways to cut budget and be more efficient procurement has been pushed into the limelight, but to succeed it needs the same freedom, agility and dynamism of a commercial sector procurement team. All the indicators of this research point to a group of professionals who want to become more commercially focused and see delivery of contractual savings as their personal goal.

The procurement and finance professionals questioned largely embrace the new government's long road of rising cuts. The majority feel positive about the election outcome, 75% think the deficit situation will improve over the next five years and most of them are expecting cuts to increase next year and beyond.

For the majority, cuts of between 5 and 15% are expected this year. Based on total public sector and government spending in 2009 of £613bn\*, this majority view indicates a significant total cut somewhere between £30bn and £90bn.

Finding efficiencies was cited as the favoured method of deficit repair and also where savings were expected most, excluding those in staff cuts. These two factors go hand in hand as the top savings opportunities, whereas front line service cuts are not welcomed. Procurement very much supports a work smarter mentality, moving from bureaucratic heavily audited processes to a cost conscious approach and flexibility.

Procurement departments are telling the government, "give us the chance to sort spending before you take high impact steps like cutting services or raising tax." Being given the chance may take more than a willingness to change. The second half of the research looked more closely at the success levels of procurement teams in modernising and collaborating to effect this change already. It showed that while achievements had been made the success of many was only 'moderate' and there was still much to do.

For example, the public sector has much more scope for dynamic purchasing collaboration, despite many initiatives having been created already. Collaboration, in various guises, is widely accepted and used by 98% of the sample but 71% only achieved moderate success or less, in a number of cases equating to 'no success'.

Deficit recovery appears to require a further overhaul of government spend management processes so that procurement teams can have the assurance of 'not a penny more, not a penny less', on their purchasing controls. Some basic issues like maverick spending and manual invoice processing are still huge.

Only 21% had contained maverick spend to 10% or less and a further 25% were unable to quantify how much spending was off contract, indicating that currently there is a lack of spend visibility. Readiness to address this was indicated by contract management and spend analysis being cited as the two largest opportunities for spend process improvement.

Automation of processes directly correlates to increases in spending efficiency, indicating that further IT automation is desired, with ease of use, integration with back office ERP, and analytics topping the required specifications.

From the indicators of this research, procurement departments in public sector are seeing the brave new world of deficit repair as a positive opportunity, however a major step change in capability and further automation, may well be required if they are actually going to be able to lead a charge against the deficit.

\*Source: [http://www.ukpublicspending.co.uk/government\\_expenditure.html](http://www.ukpublicspending.co.uk/government_expenditure.html)

## RESEARCH METHODOLOGY

### Overview

Following the general election and arrival of a new government in May 2010, Durham University and Wax Digital collaborated to survey the opinions, outlooks and achievements of procurement teams across all areas of UK public sector. The research objective was to understand the sentiment of public sector purchasing on the eve of the UK's deficit repair journey. The research was also designed to understand what had been achieved in the public sector in terms of spending efficiency to date and what scope there was for further efficiency gains as part of future cost cutting.

### Survey Method

An in-depth online survey involving mostly multi choice answers and some open questions was used. For clarity the survey was split into five sections or subject areas. These were:

- About you
- Government strategy
- Budget cuts and your organisation
- Collaborative initiatives
- Spend management

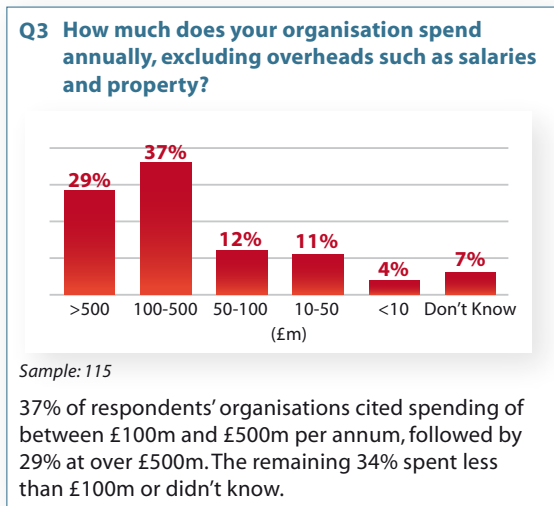
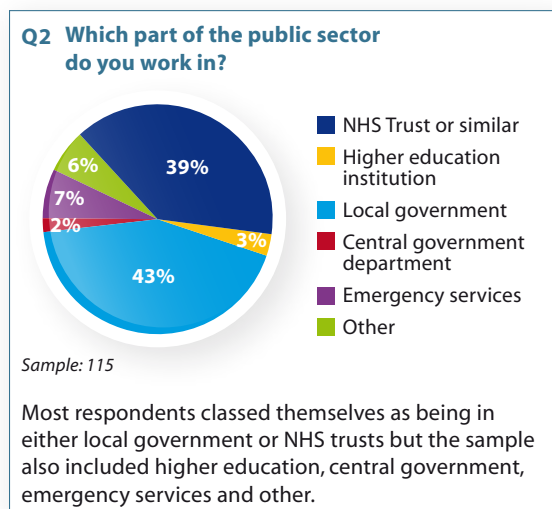
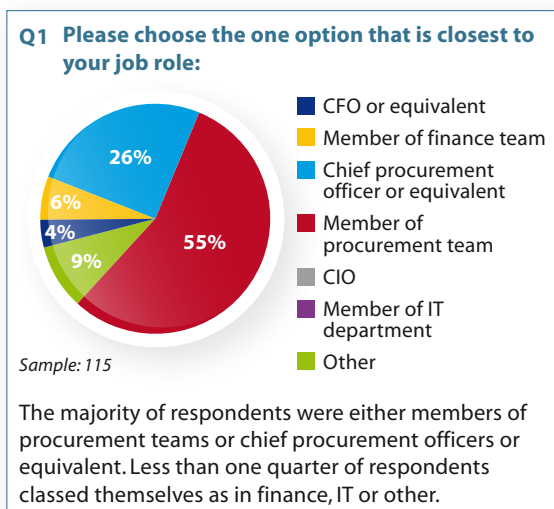
### Research Sample

Quantitative research was conducted through an online survey. The survey sample covered personnel at various levels, mainly in public sector procurement departments but also finance and IT.

A full copy of the survey can be found on page 16

### Respondent Profile

115 people responded by completing the survey although some questions were not relevant to all respondents resulting in smaller samples. Sample size details have been provided for each question in the report. Questions 1 to 4 of the survey helped to profile the respondent sample as follows.



## SECTION A: GOVERNMENT STRATEGY

### Introduction

Respondents were asked how optimistic they feel about the recent change in government and how successful they feel deficit repair is likely to be.

### Key Trends

- A 50% majority are positive about the new government
- 75% believe the budget deficit situation will improve over the next five years
- *Finding more efficiency in public spending* was most commonly chosen, by 64%, as the area in which the new government should focus most closely to achieve deficit repair

### Analysis

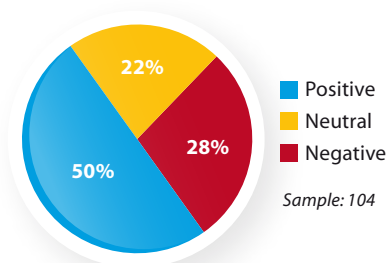
In spite of a significant mountain to climb in deficit recovery, procurement professionals appear pragmatic and defiant, ready to lead a charge against uncontrolled spending and inefficiency. The pressure of a new government that wants to waste no time in reducing spend and budgets could have struck alarm into the profession, but the findings from this research reveal a far more positive attitude and sense of opportunity. Belief that this could be the change in attitude required to drive bigger savings across the sector prevails.

While rising cuts are anticipated over years to come, the five year view is one where the deficit is controlled. Procurement leaders have placed themselves at the heart of a major element of the process of repair, signalling a desire to play a key role in doing what they have always wanted to do – make sector spending highly and sustainably efficient.

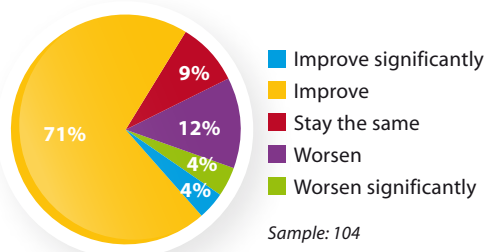
### Full Findings

#### Q5 How do you feel about the outcome of the general election?

A 50% majority of survey respondents expressed positivity over the outcome of the general election despite there being a tough road ahead as a result. This indicates that the procurement community is keen to deal with required cuts in order to recover the economy. However, public sector procurement has traditionally been focused on spending compliance rather than achieving the biggest cuts, which may be reflected in the neutrality and negativity of the other 50%.



#### Q6 How do you think that the current budget deficit situation in Britain is likely to change over the course of the next five years?



75% of respondents believed that the current deficit situation will improve over the next five years. This may partially reflect the belief that 'things couldn't get much worse' but demonstrates that those with the power to control spending efficiency in many areas do not feel overwhelmed by the challenge ahead. Rather, they are embracing the opportunity to do something constructive.

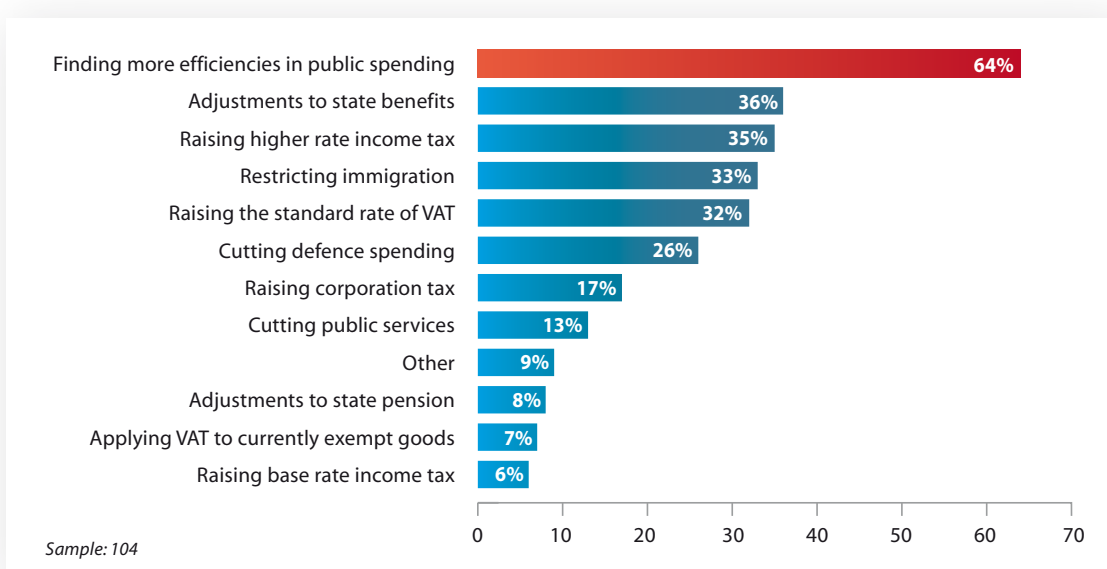
## SECTION A: GOVERNMENT STRATEGY

### Full Findings (continued)

#### Q7 In your opinion where should the new government focus its efforts to try and repair the current deficit?

A majority of 64% believe the government should be focusing on finding more efficiency in public spending to repair the current deficit. This confirms procurement's acknowledged front line role in fighting against poor spending and was much more highly favoured than recently tabled alternatives, for example, increasing taxes or cutting front line services. It may be surprising that procurement proposes its own territory as the main battleground but this strongly suggests a belief that there is much more to be done to make spending efficient.

While cutting public services is seen as unpopular in particular, the general range of deficit focus areas selected indicates that they believe a blended approach to financial repair is essential. Other options tabled by a number of respondents included downsizing the political structure and limiting senior management salary scales, encouraging business growth, abolishing Quangos, reducing accessibility to state benefits and clamping down on fraud, and applying a super tax to investment banks.



## SECTION B: BUDGET CUT IMPACT

### Introduction

Respondents were asked what level of budget cuts they expected to see in the coming years and questioned on where they thought those cuts would have to come from, to gauge the level of impact anticipated.

### Key Trends

- 78% expect budget cuts greater than 5% in 2010/11
- 22% anticipate cuts in 2010/11 to be significant or extensive in excess of 15%
- 69% think cuts will increase the following year and 34% think the increase will be significant
- Spending efficiency is the top non-staff related choice of where savings will have to come from, cited by 82%

### Analysis

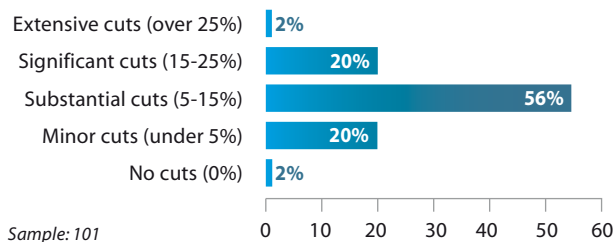
The research indicates that the impact of budget cuts is felt across the sector's entire purchasing community but the response once again to this is that procurement has a significant role to play in deficit repair. Major and extensive cut expectations were relatively common; the sum of average expected cuts based on total public spending figures in 2009\* suggests far more severe measures in the short term than have been seen to date.

Despite the effects of cuts being large and squarely targeted at purchasing professionals they are not cowering under the pressure. They don't want to see public services slashed and call first for further efficiencies to be drawn from wiser spending. Cuts in spending alongside diminishing staff and recruitment freezes suggest that procurement professionals are aiming for real efficiency in the sector, both in processes that need less administration and in the prices that are negotiated for stocks and supplies.

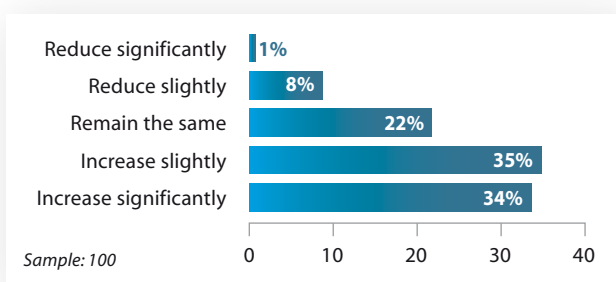
## Full Findings

### Q8 With major deficit repair required over the next few years, how would you describe the level of related overall budget cuts that you are anticipating for your organisation in FY2010/11?

Budget cuts are, inevitably, widely expected across the sector by 98% of the survey sample, however the severity of these cuts varies significantly. The majority are expecting cuts to be substantial which means they will be between 5% and 15%. Based on total public sector and government spending in 2009 of £613bn\* the majority view represents a cut of between £30bn and £90bn across the sector as a whole.



### Q9 How do you anticipate budget cuts the following year to change?



The consensus amongst the sample is that deficit repair is going to involve long term change; 91% expect cuts to be the same or higher (69%) the following year. Procurement departments are taking a pragmatic and long term view of public sector cuts.

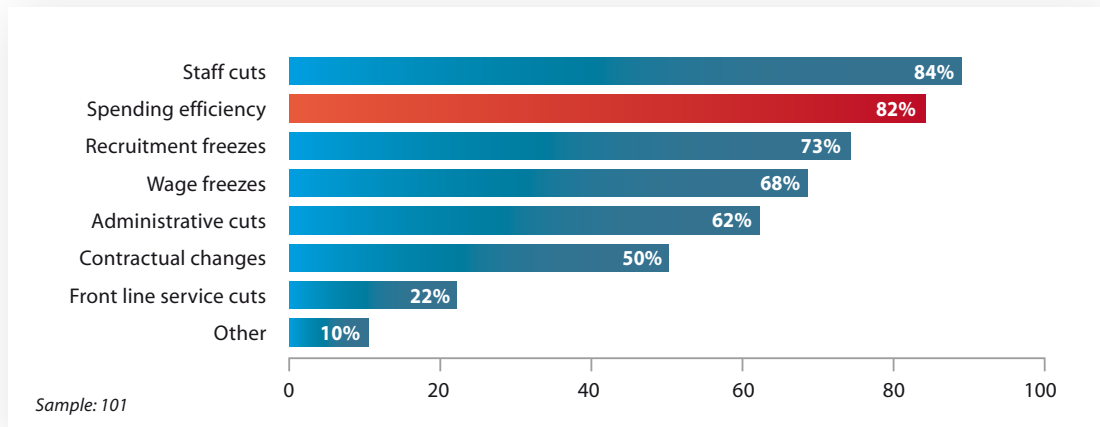
\*Source: [http://www.ukpublicspending.co.uk/government\\_expenditure.html](http://www.ukpublicspending.co.uk/government_expenditure.html)

## SECTION B: BUDGET CUT IMPACT

### Full Findings (continued)

#### Q10 Where do you think any savings are most likely to have to come from?

82% of the survey sample stated that savings are most likely to come from spending efficiency measures. With the removal of inevitable staff related cuts such as redundancies, recruitment freezes and wage freezes this puts spending efficiency as the other main source of saving. This is significant because it suggests that the procurement community is ready and willing to take on a large part of the responsibility for achieving further savings rather than profess to a fully efficient system today. They recognise the job to be done and are ready to move to the next stage, rather than see front line services slashed.



## SECTION C: COLLABORATIVE PURCHASING

### Introduction

Respondents were asked how they had collaborated with other public sector departments and organisations to create purchasing and spending efficiencies and to comment on the success of those collaborations.

### Key Trends

- Collaborative purchasing initiatives are widespread amongst 98% of the sample
- Collaborations vary significantly with the two most common types being strategic consortia led approaches (56%) and straightforward contract negotiations (38%)
- The shared use of purchasing and supply software was a top three purpose of these collaborations
- 60% of collaborations are viewed as 'moderately successful' but not highly successful

### Analysis

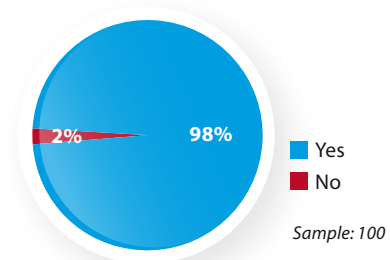
Collaboration is a widely accepted and utilised way of achieving efficiency and overhead reduction in the public sector with a wide range of projects underway. It should lead to high levels of success in reducing the costs of spend management and purchasing administration, while increasing the opportunity for more competitive contract negotiation through larger deals.

The research results indicate that advanced approaches to collaboration are used because the most common method is a full consortia approach which requires heavier investment and long term strategy. Despite this, while most record success rather than failure from their endeavours, there is still significant room for improvement, as most limit that success to 'moderate'. Collaboration is popular and further investment could pay off but success factors need to be clear and approaches must be linked to them.

### Full Findings

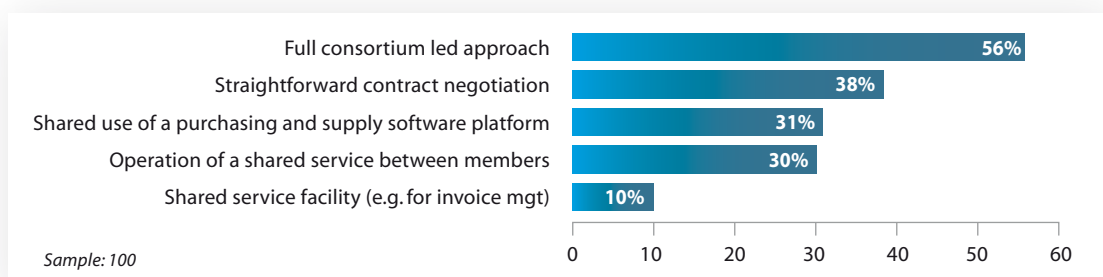
#### Q11 Has your organisation engaged in any collaborative purchasing initiatives with fellow public sector organisations?

Purchasing collaboration is widespread across the sector as public sector organisations look to pool their resources and combined weight in pursuit of more efficient spending.



#### Q12 What were the core purposes of the collaborations you have been involved in?

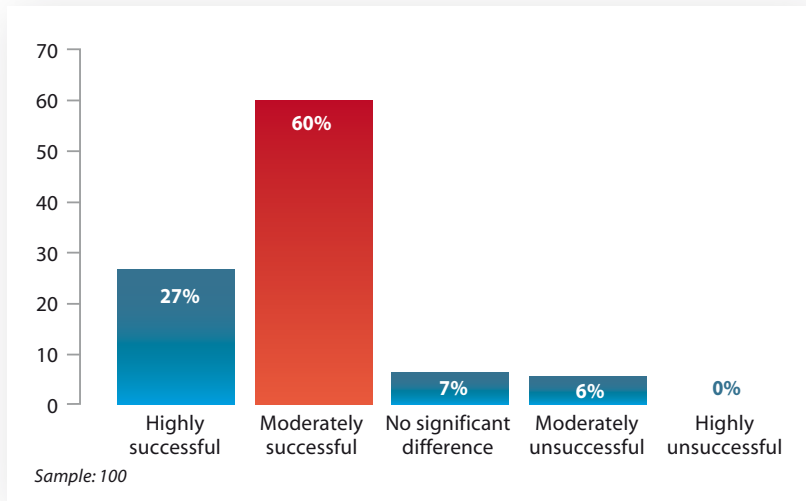
Over 55% of the sample has engaged in full consortium led approaches, teaming up with other organisations to streamline purchasing and supply. With some degree polarity against this trend the next most common form of collaboration is simple contract negotiation, indicating that a range of collaboration options have been tried and tested. Purchasing and supply software is seen as a key element of collaborations where there is an opportunity to share the cost of acquiring the tools required to automate and streamline procurement processes.



## SECTION C: COLLABORATIVE PURCHASING

### Full Findings (continued)

#### Q13 How successful would you typically rate such collaborations against the initial expectations and goals?



Despite widespread adoption, there is still room for improvement in the use of collaboration; while generally successful only 27% of the sample regarded collaborations as highly successful, which would be considered the desired outcome of any such initiative.

#### Q14 What barriers have prevented you from entering into the aforementioned collaborations?

This question offered a number of multi-choice answers but was only available to respondents who answered 'no' to question 11. As only 2% of respondents answered 'no' to question 11, no significant results were obtained from this question.

## SECTION D: SPEND MANAGEMENT

### Introduction

Respondents were asked to rate the efficiency, level of automation and future plans in spend management.

### Key Trends

- 53% said their spend management processes were moderately efficient but few, just 6%, consider them highly efficient
- While there is a good degree of automation in place in areas like requisitioning, ordering, receipting and order approvals, the majority said that they still rely on totally or partially manual processes across most areas of spend management
- Maverick spend is frequently not controlled with over one quarter of the sample not knowing what level of spend is 'off contract' and a number where it equates to 60% of total spending
- Contract management is seen as the biggest opportunity for future spend management process improvement
- 48% still process in excess of 70% of supplier invoices on paper

### Analysis

Significant efficiency in spend management has been achieved, suggesting that procurement teams have worked hard to make their organisations compliant and put process behind government spending. The job is far from complete however. High levels of manual processing uses valuable staff resources which could be better applied to managing product and service categories and strategic procurement needs. Manual processes also lead to higher recurrence of errors, increased wastage and remedial resource. The level of paper based invoice processing, which could be easily automated, demonstrates room for many more basic improvements.

Beyond effective use of resources, mixed levels of spending control and contract adherence highlights that cost efficiency is not always what it should be. Maverick spend is high in many organisations and if contract management processes are in place procurement appears somewhat unable to police these processes with positive result.

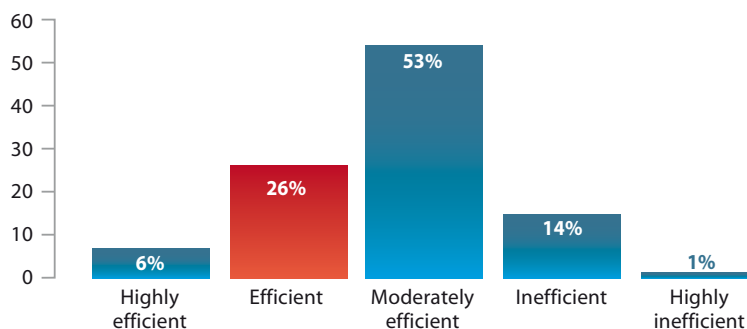
On a positive note, where process automation has been implemented, it is generally seen as effective and successful, indicating that more automation is desired if correctly delivered and applied to meeting cost reduction targets. Automation has proved effective or successful for the majority of respondents across all areas of spend management, with even the less established and leading edge forms of automation like supplier negotiation/auctions and supplier relationship management achieving solid returns.

Essentially procurement has reached a half way house in their spend management improvements and with the onset of more stringent deficit reduction targets it needs to accelerate the completion of that journey.

## Full Findings

### Q15 How would you currently rate your organisation for spend management process efficiency?

Spend management is largely seen by the sample as efficient rather than inefficient, however the figures suggest serious room for improvement and opportunity to further increase the efficiency of spend management and leverage cost savings as a result.



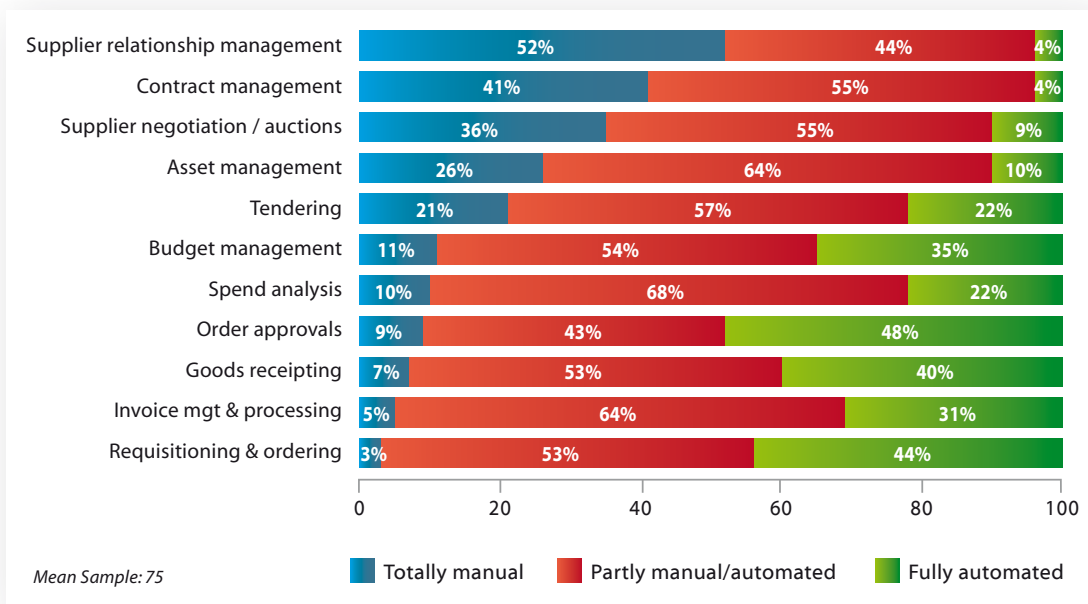
Sample: 81

## SECTION D: SPEND MANAGEMENT

### Full Findings (continued)

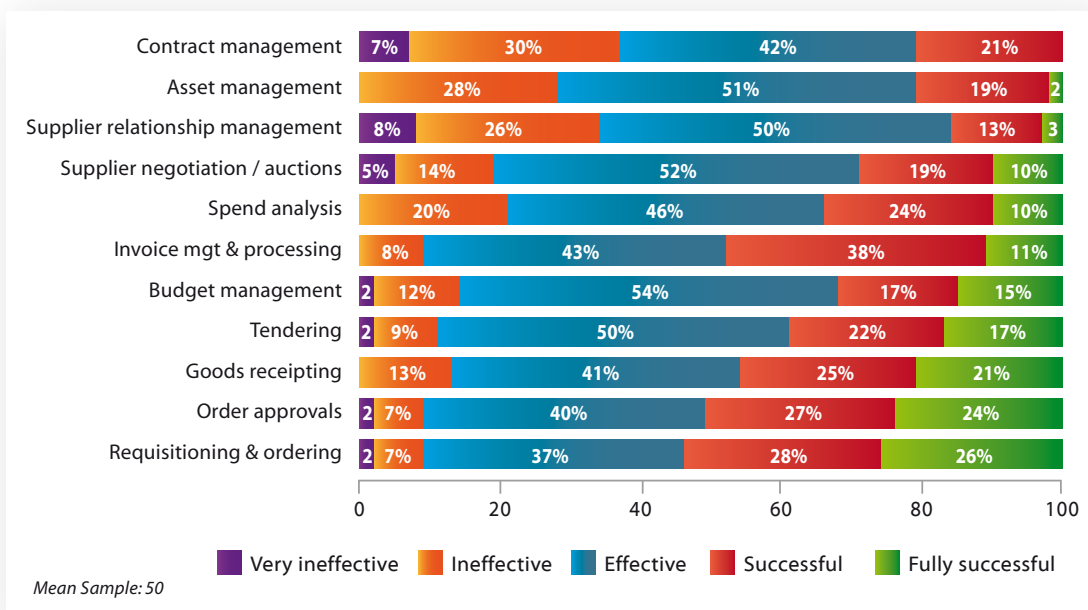
#### Q16 What level of automation is in place within your organisation's spend management processes?

The majority of organisations have implemented either full or part automation across most areas of spend management. Generally speaking however, there is a majority tendency to rely on partly automated processes which may suggest that organisations are failing to realise the full potential of automation.



#### Q17 Where you have implemented process automation can you identify how effective it has been in delivering the process improvements and savings against initial expectations and goals?

Positively, where spend management automation has been used more frequently, higher levels of success have been recorded.

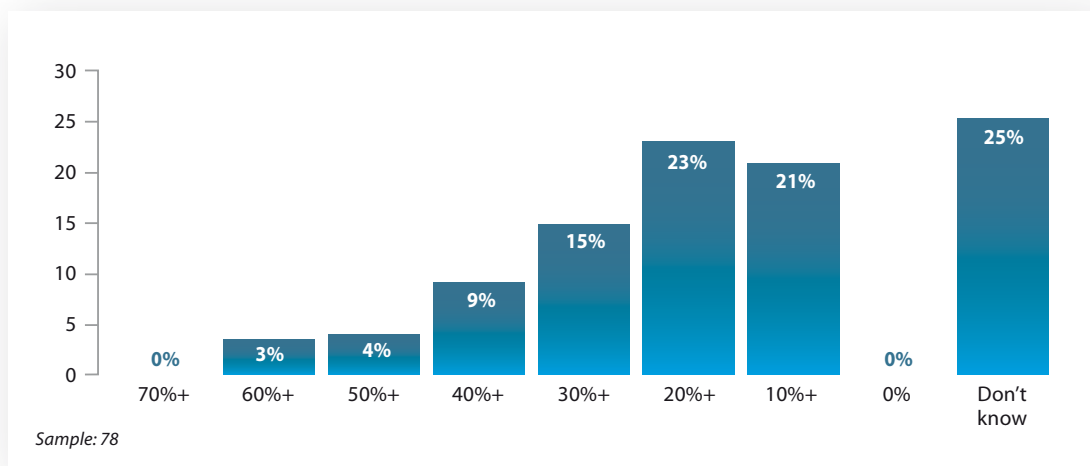


## SECTION D: SPEND MANAGEMENT

### Full Findings (continued)

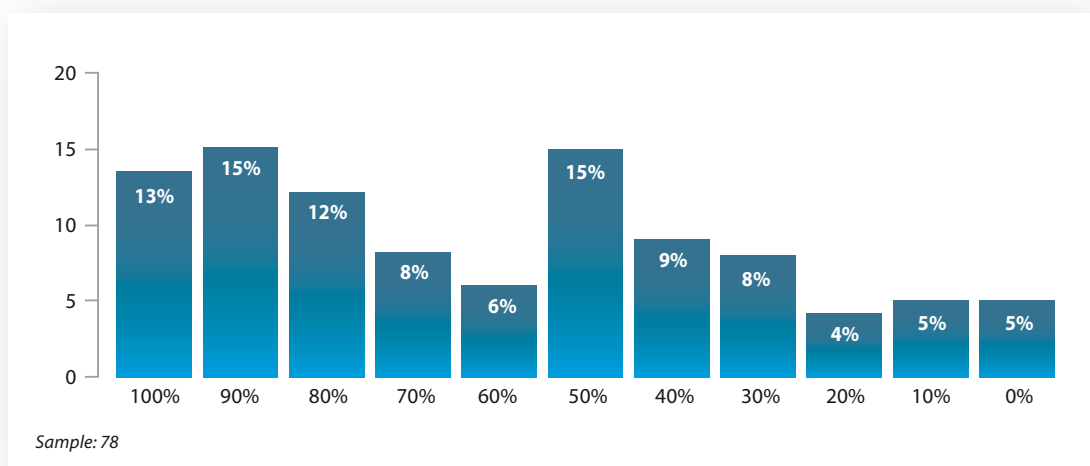
#### Q18 What proportion of your organisation's overall spending is currently 'maverick' or 'off contract'?

With the right controls, systems and managed contracts in place it is possible to reduce maverick spend, which contributes highly to inefficiency, to an absolute minimum. It is common for large public and private sector organisations, through automation, to achieve changes in maverick activity from levels as high as 90% of overall spend to under 10% in a matter of months. Yet the picture painted by this research sample is that there is often limited control in place.



#### Q19 What percentage of your suppliers' invoices do you still receive in paper format?

The transition from paper based invoicing is one of the simplest forms of process automation, taking away painfully slow manual invoice matching and authorisation that turn procurement professionals into administrative paper pushers rather than dynamic category owners. Yet in the sample many organisations still receive a high proportion of supplier invoices in paper format and this is still at 100% in several cases.

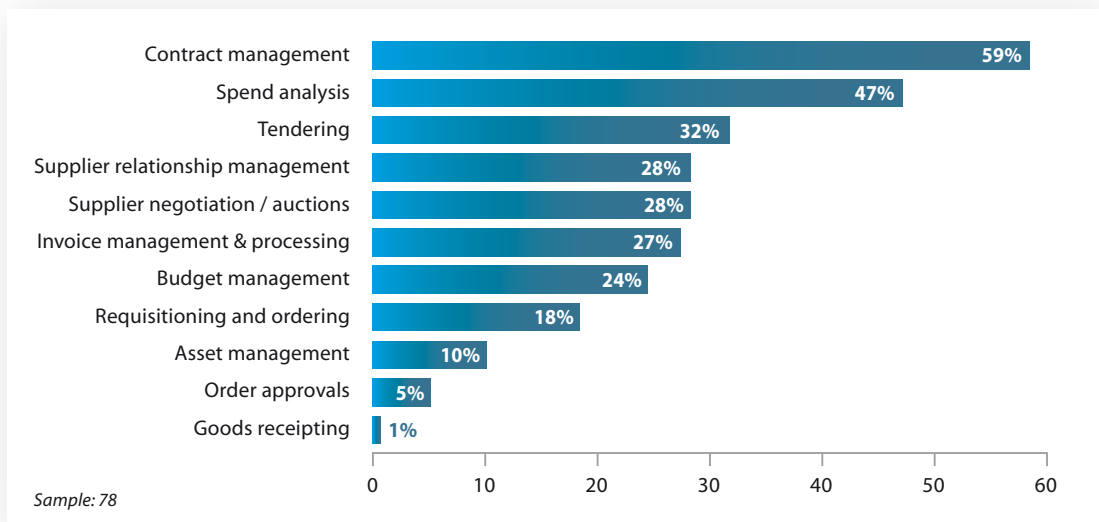


## SECTION D: SPEND MANAGEMENT

### Full Findings (continued)

#### Q20 Where do you see the most potential for future improvements in spending efficiency in your organisation?

In line with the lack of maverick spend control indicated in Q18, the sample's largest focus area for future improvements is contract management. Public sector organisations are realising that tightening contracts and enforcing contract pricing on purchases will save money without reducing the level of front line service.



#### Q21 If not listed above, please detail any other spend efficiency areas that you have identified within your organisation

A number of respondents cited other specific target areas for spend efficiency. These were:

- Category management; creating sourcing plans and demand management
- Improving general administration
- Standardisation and rationalisation of products and equipment in use
- Controlling maverick spend

## SECTION E: TECHNOLOGY ADOPTION

### Introduction

Respondents were asked to elaborate on the critical success factors of electronic purchasing systems and the importance of technology in their most effective cost saving initiatives.

### Key Trends

- All e-purchasing technology adoption factors were seen as important by the sample but user friendliness was most critical, highly important to 70%
- 97% valued integration with ERP and accounting systems as important or highly important indicating an interest in best of breed source to pay platforms that can easily interface with core business systems
- Implementation of new IT systems was cited by the sample as the second most common cost saving initiative of the last five years, after contractual changes
- Successful cost saving initiatives including new IT systems achieved savings of between 10% and 50% for 53% of the sample

### Analysis

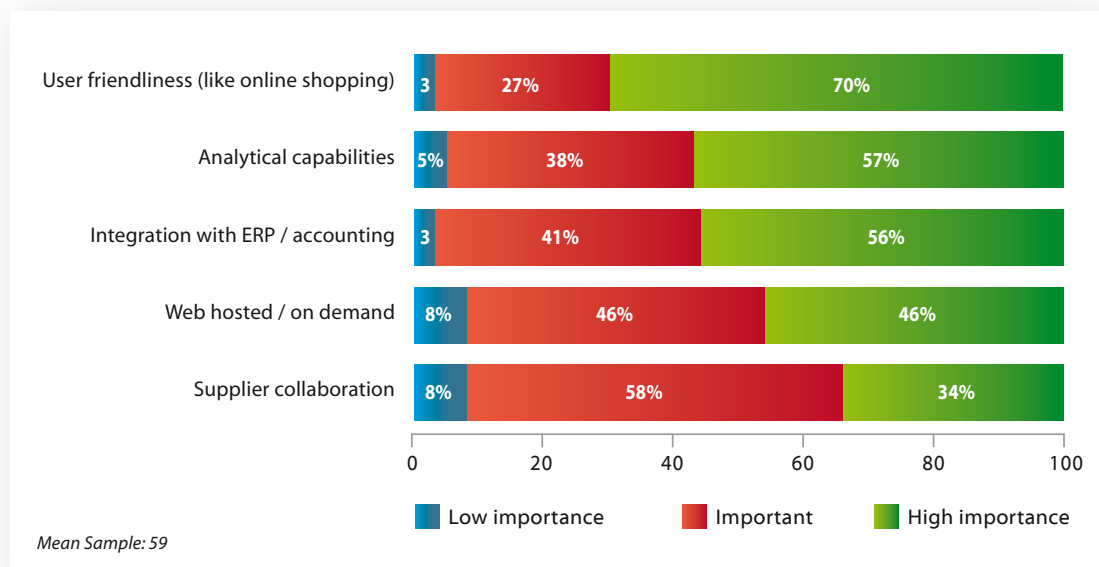
A clear need for spend management process improvement and automation has been established. There are, however, discrepancies in the level of automation initiative success and still high levels of maverick spend and paper processes. IT is high up on the list of cost efficiency enablers and 10-20% savings are common but it is important for procurement teams to evaluate new technologies on the right basis. This way they will be used extensively, provide easy workflows and reduce work rather than creating it.

The sample highlighted user friendliness of highest importance when selecting an eProcurement system. Ensuring user adoption by making it easier and quicker to purchase through the system rather than via manual methods is the only way of ensuring that carefully negotiated contracts prove their worth. Beyond ease of use procurement teams desire a least path of resistance in adoption of technology, looking for easy integration with finance systems and SaaS deployment models with a much lower implementation hurdle and internal resistance.

Technology investment needs to be a priority in procurement if the public sector is going to have the ability to manage down non-compliance of processes and cut out heavy administration.

### Full Findings

**Q22** If you make use of or have evaluated any electronic purchasing (P2P) systems, what in your opinion are the most important success factors to ensure user adoption, compliance and savings?



## SECTION E: TECHNOLOGY ADOPTION

### Full Findings (continued)

#### Q23 Please comment on any additional factors that you feel are important to ensure successful adoption, compliance and savings through the use of electronic purchasing (P2P) systems:

A number of respondents provided details of additional factors, which further indicate the importance of usability and ability to analyse spend from the system, namely:

“Top-down driven leadership with other less efficient options removed”

“There is a need for resources to actually analyse and report on findings from the electronic systems”

“The process of removing staff and then expecting others to still produce analysis is not doable”

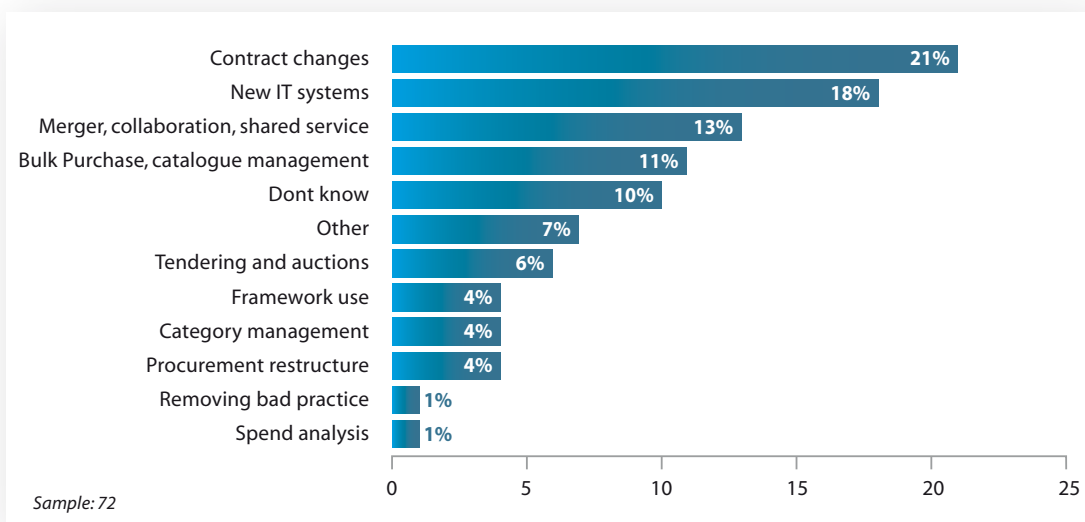
“Communications to ensure both staff and suppliers understand the system and its limits”

“The system needs a concise reference guide along with training for all users of the system”

“Cultural change and top level buy-in”

#### Q24 What has been the most successful cost-saving initiative implemented within your organisation over the last 5 years?

This was posed as an open ended question to the sample so it attracted a broad range of answers which have been grouped according to their focus. New IT systems accounted for the second most frequent cost-saving initiative implemented by the sample, after contract changes. The findings as a whole indicate that public sector organisations have reached a mid-point in their quest for procurement efficiency, for example implementing e-Procurement systems, contract management and bulk purchasing, but some of the more advanced aspects, such as auctions and category management are not yet as successful. The use of government frameworks was also infrequently seen as the biggest success suggesting that broad buying initiatives delivered by organisations like the OGC may not be seen as fit for purpose by many at the procurement coal face.



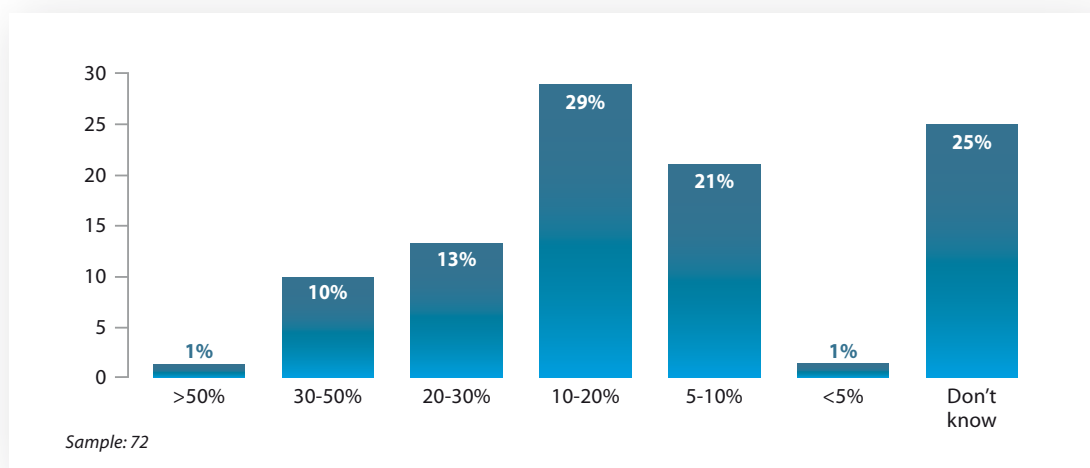
## SECTION E: TECHNOLOGY ADOPTION

### Full Findings (continued)

#### Q25 Can you quantify the level of savings that your most successful cost-saving initiative produced? (Percentages represent savings made as proportion of original costs)

25% of the sample was unable to quantify the level of savings achieved by their most successful initiative which indicates that there is a gap in analysis and tracking of where savings are being made. This has to be a critical part of future procurement policy in public sector as organisations will be more closely scrutinised by the public on spending policy.

However, good savings were achieved across many projects with a majority saving in excess of 10% and one quarter of the sample recording savings between 20 and 50%. Clearly there are spending efficiency success stories out there in the public sector but more can be done to ensure their frequency and scale of returns.



#### Q26 Please propose the one central government initiative that you think could do most to help address the current public sector deficit.

This question evoked a massive number of very different responses and suggestions. These have been grouped into a representative selection. While little specific analysis can be done it is fair to say that many survey respondents are looking first at what can be done to improve spending and procurement efficiency before other measures are taken. A representative sample of responses is included below for reference.

##### Greater powers for procurement

"Removal of 'clinical preference' as a tendering criteria. There are many savings to be implemented, however, trusts will not 'take on' the clinicians who hold inappropriate power. Where products have been used elsewhere - successfully - clinicians should start to reassess the need to always go for the 'Rolls-Royce' option. This has a two-fold effect, 1) it allows suppliers to dominate markets and keep pricing high as they know clinicians will not switch, 2) it deters new competition to markets as new suppliers will not risk investment into a market where they face a long and uphill battle to get a very small market share."

"Create a new post of Minister of Public Procurement."

"Give someone the responsibility to make decisions instead of going through many people/departments before a decision can be made."

"More stringent budget management would deter departments from spending needlessly at the 'end of financial year' merely to ensure a budget amount for the following year, thus saving money."

##### Improved procurement capability and skills

"Improve procurement capability of organisations (professional and non-professional people) to drive the best value out of contracts throughout their lives."

"Better contract management"

"Renegotiation of certain large public procurements, reduce spending on consultancy, administration and inefficiently managed IT projects. Improve back office functions. Reduce overlaps and speed up the introduction of shared services."

"Detailed value stream mapping of public sector spending to identify and improve/eliminate waste or other non value adding activity."

"Invest to save, have a central pot of monies to focus on the projects that will have the highest and most sustainable cost savings across the public sector."

"Electronic procurement from spend analysis/requisitioning/sourcing/contract management."

## SECTION E: TECHNOLOGY ADOPTION

### Full Findings (continued)

#### Less auditing, more action

"Allow procurement professionals in the public sector to engage in commercial negotiations with potential suppliers without the need for the massively expensive and bureaucratic processes required to ensure compliance with EU procurement legislation."

"Allow public sector bodies to focus on core service delivery with proportionate checks and balances and less central government bureaucracy."

"Incentivise cost saving by allowing some savings to be reinvested back into the same service. Currently those who are proactive get their budgets cut while those who over spend get allocated more money!"

"Separate Whitehall out from local government e.g. leave OGC/buying solutions to central government and the likes of the Pro 5 out to local government and only collaborate where necessary."

"Too many bodies wanting to control local government spending in England, e.g. PBOs, RIEP, OGC, Shared Service projects, etc."

"If procurement were not strangled by the EC Procurement Directives we could still act ethically and professionally but drive savings out of tendering and remove huge amounts of the bureaucracy that system is now generating. This could realise savings of 10-20%."

"Make the system in which the NHS manages its affairs simpler and such that it reduces transaction costs."

"Withdraw the EU procurement directives, allow Public Sector buyers to act as the private sector do."

"Supplier negotiation is sometimes neglected due to the perception of EU legislation, most people assuming that this is not an option, but it is something which must be explored on a more regular basis, especially with those afore mentioned non-specialist products/contracts."

"Reducing the level of central government control."

#### New pan-government initiatives

"Mandatory sign up to efficient and appropriately let pan-government contracts."

"Mandate the use of certain contracts across the NHS or wide public sector."

"Councils forced to implement shared services and collaborative contracts."

"Removing the barriers stopping various parts of the public sector from collaborating on procurement projects."

"Ensure all Trusts are required to join Collaborative Procurement Hubs and not be able to 'opt out.'"

#### Abolition of 'money drainers'

"Get rid of the Quangos and non essential government departments."

"Get rid of SHA's and other non productive bureaucrats."

#### Other areas of income / cost reduction

"Pay freeze"

"Raise taxes"

"Delay non essential major UK capital investments."

"The National Health Service - prevention is better than cure. More patients to be attended in the Community avoiding some hospital visits."

"Reduce reliance on and waste on external consultancy, reduce reliance on target lead services and the significant waste on report them."

"Pull out of the war in Afghanistan and slash defence spending and scrap the replacement of the nuclear arsenal."

"Amalgamate Police Forces"

"Return soldiers early"

"Recover the costs of clearing up their mess from the speculative banking sector. Separate the 'high street' banking sector from the 'casino' sector and tax the latter accordingly."

"Reduce Immigration"

"Increased top rate taxes"

"Pay Freezes for public sector staff"

"Increase corporation tax"

## CONCLUSIONS

This research has highlighted that despite significant inroads in procurement success, a new level of performance, efficiency and automation is mandated by the new government's spending cut and deficit repair plan. Procurement professionals have their biggest opportunity yet to take a strategic role in the protection of vital front line services, by lowering the cost of purchasing products and services essential to them.

The public sector procurement community has met the new government strategy of immediate and significant cuts with pragmatism and belief that change is possible. For leaders in the sector a 'phoenix-like' opportunity arises from the flames of the country's debt. Many are more than willing to pull their organisations out of the fire, given the chance. Not deterred by the prospect of increasing cuts in years to come, the chance for public sector procurement professionals to raise their game is seen as now.

So how will they do it? A second wave of collaboration could be one answer. Having learned from the many collaborative purchasing initiatives of recent years public sector organisations are better informed as to how the best outcomes and results can be achieved. Sharing purchasing platforms, contracts and services on a needs basis and increasing accountability can take the majority of collaboration successes from moderate to excellent.

With acceptable, but not outstanding levels of efficiency existing in spend management today, the groundwork for cutting costs through procurement is already there. Now, professionals must look closely at where purchasing processes fail and must campaign for more control over the actions of departmental buyers. Maverick spend needs to be managed and manual processes that drag the procurement mind into administrative catacombs must be replaced by accurate and clearly directed automation.

Despite massive cut backs in IT projects, procurement teams must fight for their right to specify and select the purchasing automation tools and technologies that fit their needs with tailored precision. Choosing generic buying platforms that are 'consumerised' is critical in ensuring mass adoption and use across the organisation. Easy integration with core finance systems will unlock procurement's ability to make its own technology decisions that are the right ones.

As the world hurts from an unprecedented financial crisis, eyes will turn to procurement for guidance and direction on the best way to really do more with less. In public sector, the procurement professional's opportunity is now.

For further information about this research and its findings, or for guidance on preparing your procurement organisation for the changes ahead, please contact Susan Harris at Wax Digital via email at [susan.harris@waxdigital.com](mailto:susan.harris@waxdigital.com).

## QUESTIONNAIRE COPY

### SURVEY

#### The Impact of Deficit Repair on Public Sector Procurement

During the recent parliamentary election campaigns there has been one factor that all three main parties were in agreement on throughout – public sector cuts are inevitable in the coming years. The timing, combination and severity of these cuts may differ from party to party but there is no doubt that significant changes are required in order to deal with the national debt. What impact will this change have on public service organisations and in turn their purchasing and supply policies?

This research exercise, conducted by Durham University in collaboration with Wax Digital, is asking over 1,000 public sector procurement and finance professionals about the impact that deficit repair is likely to have on them and their departments. We would like to ask for your valued opinion as part of this research programme, participation in which gives you exclusive access to:- A detailed account of the research findings- Minutes from a public sector round-table that will follow publication, at which leading public sector figures and journalists discuss the findings- An invitation to round-table based discussions in your area

The short web based survey comprises primarily multi-choice questions and answers and takes under ten minutes to complete online. Your responses are completely confidential and no personal data of any nature will be shared with third parties.

Thank you very much for your time and support.

Please start with the survey now by clicking on the Continue button below.

#### SECTION 1: ABOUT YOU

This section identifies your role and the type of organisation you work for. All information submitted is strictly private and confidential and no personal data will be shared with any third parties.

**Please choose the one option that is closest to your job role:**

1. CFO or equivalent
2. Member of finance team
3. Chief procurement officer or equivalent
4. Member of procurement team
5. CIO
6. Member of IT department
7. Other \_\_\_\_\_

**Which part of the public sector do you work in?**

1. NHS trust or similar
2. Higher education institution
3. Local government
4. Central government department
5. Emergency services
6. Other \_\_\_\_\_

**How much does your organisation spend annually, excluding overheads such as salaries and property?**

1. >£500m
2. £100-500m
3. £50-100m
4. £10-50m
5. <£10m
6. Don't know

**What is the size of your organisations procurement/purchasing team?**

1. >10 people
2. 5-10 people
3. <5 people
4. There is no dedicated procurement/purchasing team

## QUESTIONNAIRE COPY

### SECTION 2: GOVERNMENT STRATEGY

This section deals with public sector policy and your reaction to the current economic situation and general election outcome.

#### How do you feel about the outcome of the general election?

1. Positive – I believe things will change for the better now, even if the road ahead will be hard
2. Neutral – I don't believe things will change one way or another
3. Negative – the outlook has taken a significant turn for the worse

#### How do you think that the current budget deficit situation in Britain is likely to change over the course of the next five years?

1. Improve significantly
2. Improve
3. Stay the same
4. Worsen
5. Worsen significantly

#### In your opinion where should the new government focus its efforts to try and repair the current deficit? (Please select a maximum of 3 choices)

1. Raising corporation tax
2. Raising the standard rate of VAT
3. Applying VAT to currently exempt goods
4. Raising base rate income tax
5. Raising higher rate income tax
6. Cutting public services
7. Cutting defence spending
8. Adjustments to state pension (e.g. raising retirement age)
9. Adjustments to state benefits
10. Restricting immigration
11. Finding more efficiencies in public spending
12. Other \_\_\_\_\_

### SECTION 3: BUDGET CUTS AND YOUR ORGANISATION

In this section we aim to gauge public sector opinion as to the scale and nature of budget cutbacks likely to be imposed across the different organisations taking part in the survey.

#### With major deficit repair required over the next few years, how would you describe the level of related overall budget cuts that you are anticipating for your organisation in FY2010/11? (Please choose the closest answer)

1. No cuts (0%)
2. Minor cuts (under 5%)
3. Substantial cuts (5-15%)
4. Significant cuts (15-25%)
5. Extensive cuts (over 25%)

#### How do you anticipate budget cuts the following year to change?

1. Increase significantly
2. Increase slightly
3. Remain the same
4. Reduce slightly
5. Reduce significantly

#### Where do you think any savings are most likely to have to come from? (Please select all that apply)

1. Staff cuts
2. Wage freezes
3. Recruitment freezes
4. Administrative cuts
5. Front line service cuts
6. Contractual changes
7. Spending efficiency
8. Other \_\_\_\_\_

## QUESTIONNAIRE COPY

### SECTION 4: COLLABORATIVE INITIATIVES

Collaboration between independent public sector bodies is often cited as an effective way to drive best value in contract negotiations, whilst marketplaces and other shared technology initiatives can help deliver process improvement and compliance across large user communities. This section asks for your experience of collaborative purchasing initiatives.

**Has your organisation engaged in any collaborative purchasing initiatives with fellow public sector organisations?**

1. Yes
2. No

**What were the core purposes of the collaborations you have been involved in? (Please select a maximum of two answers)**

1. Straightforward contract negotiation
2. Shared use of a purchasing and supply software platform
3. Operation of a shared service between members
4. Full consortium led approach to purchasing and supply
5. Shared service facility (e.g. for invoice management)

**How successful would you typically rate such collaborations against the initial expectations and goals?**

1. Highly successful
2. Moderately successful
3. No significant difference
4. Moderately unsuccessful
5. Highly unsuccessful

**What barriers have prevented you from entering into the afore mentioned collaborations? (Please select a maximum of two options)**

1. No barriers; we didn't want or need to collaborate
2. Differing technology strategies
3. Conflicts over leadership of consortia
4. Attitude of senior management
5. Lack of resource due to other priorities
6. Other \_\_\_\_\_

### SECTION 5: SPEND MANAGEMENT

In this section we focus specifically on the steps public sector organisations have already taken to deliver savings and efficiencies, how successful those initiatives have been, supporting technologies and where further savings might still be able to be made. This section of the survey is optional, if you would prefer not to continue please exit at this point. Otherwise please continue on to complete section 5 and the survey.

**How would you currently rate your organisation for spend management process efficiency?**

1. Highly efficient
2. Efficient
3. Moderately efficient
4. Inefficient
5. Highly inefficient

**What level of automation is in place within your organisation's spend management processes?**

	Totally Manual	Part manual/ part automation	Fully Automated
Requisitioning and ordering	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Order approvals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Budget management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Goods receipting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Invoice management and processing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tendering	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supplier negotiation (including the use of auctions)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supplier relationship management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asset management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contract management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spend analysis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## QUESTIONNAIRE COPY

**Where you have implemented process automation can you identify how effective it has been in delivering the process improvements and savings against initial expectations and goals? (This question is not compulsory; please move onto the next question if this subject is not applicable to your organisation)**

	Very Effective	Ineffective	Effective	Successful	Very Successful
Requisitioning and ordering	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Order approvals	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Budget management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Goods receipting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Invoice management and processing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tendering	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supplier negotiation (including the use of auctions)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Supplier relationship management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Asset management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Contract management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Spend analysis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**What proportion of your organisation's overall spending is currently 'maverick' or 'off contract' spend? (Please tick the closest answer)**

1. 100%
2. 90%
3. 80%
4. 70%
5. 60%
6. 50%
7. 40%
8. 30%
9. 20%
10. 10%
11. 0%
12. Don't know

**What percentage of your suppliers' invoices do you still receive in paper format?**

1. 100%
2. 90%
3. 80%
4. 70%
5. 60%
6. 50%
7. 40%
8. 30%
9. 20%
10. 10%
11. 0%

**Where do you see the most potential for future improvements in spending efficiency in your organisation? (Please select a maximum of 3 answers)**

1. Requisitioning and ordering
2. Order approvals
3. Budget management
4. Goods receipting
5. Invoice management and processing
6. Tendering
7. Supplier negotiation (including the use of auctions)
8. Supplier relationship management
9. Asset management
10. Contract management
11. Spend analysis

QUESTIONNAIRE COPY

If not listed above, please detail any other spend efficiency areas that you have identified within your organisation.

If you make use of or have evaluated any electronic purchasing (P2P) systems, what in your opinion are the most important success factors to ensure user adoption, compliance and savings?

	Low Importance	Important	High Importance
User friendliness (e.g. similarity to simple online shopping experience)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Web hosted / on demand approach to reduce administrative burden	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Strong analytical capabilities to understand spending trends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Collaborative supplier tools (e.g. portal) to streamline purchasing processes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
High level of integration with other systems e.g. ERP / accounting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please comment on any additional factors that you feel are important to ensure successful adoption, compliance and savings through the use of electronic purchasing (P2P) systems.

What has been the most successful cost-saving initiative implemented within your organisation over the last 5 years?

Can you quantify the level of savings that initiative produced? (Percentages represent savings made as proportion of original costs).

1. Over 50%
2. 30-50%
3. 20-30%
4. 10-20%
5. 5-10%
6. <5%
7. Don't know

Finally, please propose the one central government initiative that you think could do most to help address the current public sector deficit.

END OF SURVEY

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The University spends £90 million annually to maintain the infrastructure and services demanded of its 3,000 staff and 15,000 students and the University's procurement team, recognised as one of the most forward-thinking in the HE sector, is two years into a programme to transform its purchasing practices and processes with a view to shaving several million pounds annually off that spend.

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