



# **PROCUREMENT: BUSINESS PROCESS MODEL**

## **DESCRIPTIONS AND KEY PERFORMANCE INDICATORS**

# 1. Executive and Management Direction

## 1.1 Strategic Direction

### 1.1.1 Procurement Strategic Management

1.1.1.1 Procurement Mission & Strategy

1.1.1.2 Procurement Portfolio Management

1.1.1.3 Procurement Business Strategy

### 1.1.2 Procurement Governance

1.1.2.1 Internal Stakeholder Management

1.1.2.2 Supplier Relationship Strategy

### 1.1.3 Procurement Function Management

1.1.3.1 Procurement Function Mgmt.

1.1.3.2 Procurement Performance & Risk Mgmt.

1.1.3.3 Procurement Value Arch & Realization

# 2. Operational Services

## 2.1 Procurement

### 2.1.1 Category Management & Strategic Sourcing

2.1.1.1 Category Management

2.1.1.2 Strategic Sourcing

2.1.1.3 Demand Management

2.1.1.4 Compliance Management

2.1.1.5 Inventory Management

2.1.1.6 Supplier Relationship Mgt.

### 2.1.2 Sourcing Support

2.1.2.1 Internal Spend and Buying Analysis

2.1.2.2 External Market Analysis

2.1.2.3 eRFX Support

2.1.2.4 Contract Support

### 2.1.3 Procurement Operations

2.3.3.1 Requisition & PO Processing

2.3.3.2 Receiving & Receipt Processing

2.3.3.3 Helpdesk Services

2.1.2.4 Spot Buy

2.3.3.4 Catalog Enablement

# 3. Enablement

## 3.1 Reporting & Analysis

### 3.1.1 Procurement

3.1.1.1 Statutory Reporting

3.1.1.2 Procurement Reporting

3.1.1.3 Procurement Performance Reporting and Decision Support

### 2.3.3.1

## 3.2 Data & Technology

### 3.2.1 Data

3.2.1.1 Enterprise Procurement Data Governance and Architecture

3.2.1.2 Enterprise Procurement Information Creation and Distribution

### 3.2.2 Technology

3.2.2.1 Technology Strategy and Roadmap

3.2.2.2 Platform, Integration, and Process Architecture

3.2.2.3 Service Management

Node	Name	Description	KPI
1.1.1.1	Procurement Mission and Strategy	On behalf of the enterprise, this includes Procurement's role in contributing to the overall strategic planning process. This includes development of procurement targets and investment priorities. This also includes the enterprise wide mission statement to let stakeholders know the long-term direction that Procurement is driving towards and the strategy to get there, for example insourcing versus outsourcing.	<ul style="list-style-type: none"> <li>• 90% or more of all agencies have a documented and approved strategic plan that addresses the Procurement component and is used to monitor and report performance.</li> <li>• 100% of all strategic plans with a Procurement component show evidence of stakeholder input and feedback</li> </ul>
1.1.1.2	Procurement Portfolio Management	On behalf of the enterprise, Procurement creates and maintains a 3 year plan that effectively manages the portfolio of projects to optimize use of resources and continuity of supply. The plan is a roadmap that is coordinated across multiple dimensions, for example contracts due to expire, new sourcing opportunities, and catalog enablement. The plan is the basis for annual savings estimates.	<ul style="list-style-type: none"> <li>• The Procurement function reviews and updates the portfolio of projects annually</li> </ul>
1.1.1.3	Procurement Business Strategy	In conjunctions with enterprise strategic planning, this includes the alignment of the Procurement function to the overall mission and strategy of the organization. The strategy is usually manifested in laws, regulations, policies and procedures. Example strategies might include Procurement in the role of business partner, administrator, regulator, controller, or a combination.	<ul style="list-style-type: none"> <li>• The Procurement function reviews its statutory, legal, and regulatory environment at least every 2 years to assure its alignment to the overall mission and strategy of the organization</li> <li>• The Procurement function conducts a stakeholder satisfaction and feedback survey at least every two years</li> </ul>

Node	Name	Description	KPI
1.1.2.1	Internal Stakeholder Management	This includes measuring and managing internal customer satisfaction, e.g., planning and training between the procurement organization and the departments is part of this business process.	<ul style="list-style-type: none"> <li>• 80% or more of internal customers when surveyed on procurement performance report “satisfied” or “highly satisfied”</li> <li>• 100% of end-user customers complete required training</li> </ul>
1.1.2.2	Supplier Relationship Strategy	This includes segmentation of the universe of suppliers into major groupings and the development of the strategy for each group. Usually strategies cover Developing relationships to optimize value through cost reduction, innovation, risk mitigation and growth throughout the relationship life cycle, from solicitation thru creation of contracts, thru performance.	<ul style="list-style-type: none"> <li>• Less than 5% of suppliers account for 80% of the annual procurement spend</li> <li>• Suppliers fill 100% of required amounts in not less than 90% of purchase orders</li> <li>• Suppliers deliver 99% within specified delivery timeframe</li> </ul>

Node	Name	Description	KPI
1.1.3.1	Procurement Function Management	Includes the organizational structure, management processes, and policies and budgets of the units that provide leadership and management to all aspects of the Procurement function. Also includes talent management activities related to competency models and job descriptions, recruitment, career and personal development, and retention. For example, it includes capability development & training which defines the skills needed in each organizational role and provides employees with training options to effectively build and maintain these skills.	<ul style="list-style-type: none"> <li>• At least 85% of the employees working within the procurement function report an employee engagement score of “engaged” or “highly engaged”.</li> <li>• The value (e.g. savings) created by the procurement organization is at least four times higher than the annual cost of the procurement organization</li> </ul>
1.1.3.2	Procurement Performance & Risk Management	This includes the establishment, management, and reporting of key performance and risk indicators (e.g. metrics) for each of the constituent business process areas (as defined by level 4 in the business process model) within the overall Procurement function. This includes legal analysis and support for terms and conditions in contracts. The establishment, management, and reporting of metrics might be unique to an individual business unit or standardized across the enterprise.	<ul style="list-style-type: none"> <li>• 75% of Procurement business processes have metrics which are reported on and monitored regularly by operational unit leads and management personnel</li> <li>• For Procurement performance metrics trending in an adverse direction, 90% of such metrics are subject to a specific follow up and corrective action plan</li> </ul>
1.1.3.3	Procurement Value Architecture & Realization	For each of the constituent business process areas (as defined by level 4 in the business process model) within the Procurement function, this includes the identification of opportunities to generate additional value for the benefit of the organization. This includes both “hard dollar” value (e.g. cost savings and/or revenue increases) and “soft dollar” value (e.g. process efficiencies, process optimization, quality, customer satisfaction, etc). This also includes projects and programs to harvest the value for identified opportunities.	<ul style="list-style-type: none"> <li>• Key processes are identified and reviewed for value realization opportunities at least very five years</li> <li>• An ongoing program with executive support and a dedicated team is in place to increase value realization in prioritized areas</li> </ul>

Node	Name	Description	KPI
2.1.1.1	Category Management	This includes the segmentation of procurement into major categories to define buying channels. Steering users to the appropriate buying channel helps drive down the total costs of targeted goods and services with solutions that meet customers' business needs through proactive strategies and creation of contracts.	<ul style="list-style-type: none"> <li>90% of contracts are "active" and have been used within 12 months</li> <li>95% or more of total spend is visible and reportable via spend management and/or reporting tools</li> </ul>
2.1.1.2	Strategic Sourcing	This includes the development and implementation of a structured and prioritized approach for sourcing goods and services to realize and sustain lower total cost of ownership in partnership with the appropriate customers and supplier base.	<ul style="list-style-type: none"> <li>100% accomplishment of the entities annual strategic sourcing savings goal</li> <li>95% on-time completion of sourcing process versus approved schedule</li> </ul>
2.1.1.3	Demand Management	This includes ways to lower total cost of ownership and streamline procurement processes with existing suppliers by rationalizing / standardizing specifications, utilizing substitute goods and services, examining life cycle cost, and reducing consumption.	<ul style="list-style-type: none"> <li>100% of specifications and demand is reviewed in each major procurement category not less than once every 3 years</li> </ul>
2.1.1.4	Compliance Management	This includes how the organization is performing against published standards and metrics, provides insight of adherence to policies, and identifies areas of opportunity to drive value through process efficiencies. It includes measuring and managing department compliance to department and enterprise-wide procurement policies and standards.	<ul style="list-style-type: none"> <li>95% of purchasing from pre-arranged contracts (e.g., less than 5% "maverick spend")</li> <li>10% decrease in the gap between required skills proficiency and demonstrated skills proficiency by procurement professionals</li> </ul>
2.1.1.5	Inventory Management	This includes the management of warehouses and the ordering, storage and use of goods and materials used to support agency operations. For example, depots with maintenance materials for highways and warehouses for food and other goods supporting facility based operations.	<ul style="list-style-type: none"> <li>Increasing inventory turns by 10%</li> <li>Reducing inventory carrying costs by 10%</li> <li>Accomplishing 99% inventory accuracy</li> </ul>
2.1.1.6	Supplier Relationship Management	This includes systematic management of supplier relationships and the tactical activities with managing suppliers per their segmentation. This includes monthly meetings, collecting data, issuing RFPs, score carding, diversity supplier management/growth. An example is the Supplier Diversity approach with might include recruiting, certifying, matchmaking, and reporting for suppliers meeting diversity criteria.	<ul style="list-style-type: none"> <li>100% accomplishment of the entities annual socio-economic vendor preference goals</li> <li>At least 95% of scheduled Supplier Periodic Business Reviews are completed</li> </ul>

Node	Name	Description	KPI
2.1.2.1	Internal Spend and Buying Pattern Analysis	This includes both detailed and summarized information on expenditures across the enterprise to support strategic sourcing decision making, category management, and other procurement processes. For example, analysis of past and future spending (including transaction information from P-Card providers) when creating a profile of a category for sourcing.	<ul style="list-style-type: none"> <li>• 80% of total spend is managed by Procurement</li> <li>• At least 1.5% or more of total spend is accomplished via Purchase Cards</li> <li>• P Card volume and rebate revenue is within 90% of annual estimates and plans</li> </ul>
2.1.2.2	External Market Analysis	This includes research to understand market conditions, trends, supply base, constraints, and pricing structure to support various procurement processes. For example, analysis of past and future market conditions when creating a profile of a category for sourcing.	<ul style="list-style-type: none"> <li>• 100% of each major procurement category is reviewed and analyzed not less than once every 3 years.</li> </ul>
2.1.2.3	eRFx Support	This includes support in developing and conducting all forms of solicitations, tendering activities, and auction events. While different organizations use various nomenclature, this includes Request for Information, Request for Proposals, Request for Quotes, Invitation to Negotiate, etc.	<ul style="list-style-type: none"> <li>• 90% of contracts are “active” and have been used within 12 months</li> <li>• Replacement contract are in place 99% of the time before current contract expires</li> </ul>
2.1.2.5	Contract Support	This includes tracking, monitoring, and updating contracts throughout their lifecycle to proactively manage supplier and user adherence to negotiated terms and conditions. Developing and management contract templates and boilerplates, including terms and conditions, is part of this process.	<ul style="list-style-type: none"> <li>• 95% or more of total spend is visible and reportable via spend management and/or reporting tools</li> <li>• 90% of Purchase Orders are issued using a modern system like an eProcurement system</li> </ul>

Node	Name	Description	KPI
2.1.3.1	Requisition & Purchase Order Processing	This includes the policies and procedures for the chain of activities from identifying appropriate buying channels, through issuing and managing a purchase order with the supplier, to matching purchase orders with receipt, and handoff to accounts payable. It also includes requisitions that become purchase orders, the issuance of legally binding orders to suppliers, and submission of paper or electronic invoices. It also Include P-Card as a buying channel.	<ul style="list-style-type: none"> <li>• Acceptance and processing for payment of 30% or more of invoices via electronic rather than paper format</li> <li>• 100% of approved payments are scheduled for payment pursuant to the organization's bill paying policies</li> <li>• Average cycle time from received requisition to approved requisition of 3 days or less</li> <li>• End users use the prescribed buying channel at least 95% of the time</li> <li>• 100% of requisitions are converted to Purchase Orders within 2 business days of approved requisition</li> </ul>
2.1.3.2	Receiving & Receipt Processing	This includes the tracking, receiving, inspection, and creation of receipts for goods and services. It also includes checking and confirming that goods and services received match what was ordered. It also includes reconciling goods and/or services received when acquired via P-Cards.	<ul style="list-style-type: none"> <li>• 100% of receiving accomplished within 5 business days of supplier delivery</li> <li>• 80% of receiving events are recorded electronically</li> <li>• Less than 1% of Purchase Orders are created after the receipt of an invoice</li> </ul>
2.1.3.3	Helpdesk Services	This includes the management and delivery of procurement and sourcing customer support to users and suppliers.	<ul style="list-style-type: none"> <li>• 80% or more of internal customers when surveyed on procurement performance report "satisfied" or "highly satisfied"</li> <li>• 80% or more of external suppliers when surveyed on procurement performance report "satisfied" or "highly satisfied"</li> </ul>
2.1.2.4	Spot Buy	This supports purchasing of goods or services that do not require the full sourcing process. For example, incidental purchases below the organizations mandatory sourcing/competitive bidding threshold.	<ul style="list-style-type: none"> <li>• 100% compliance that spot buys conform to the organization's policies with zero fraud, waste, abuse or audit findings</li> </ul>
2.1.3.5	Catalog Enablement	This includes the establishment and maintenance of supplier catalogs to facilitate the purchase of goods or services from contracted suppliers to decrease requisition cycle time and drive use of established contracts.	<ul style="list-style-type: none"> <li>• 35% or more of all purchasing line items are created via an electronic catalog</li> </ul>



Node	Name	Description	KPI
3.1.1.1	Statutory Reporting	This includes reporting required by the organization's laws or regulations. An example is a report of actual performance compared to goals for procurement associated with socio-economic programs.	<ul style="list-style-type: none"> <li>• 100% production of statutory reports in accordance with the required production schedule</li> </ul>
3.1.1.2	Procurement Reporting	This includes all forms of routine and ad hoc reporting related to all aspects of procurement for departments and the enterprise as a whole. For example, both automated and manual reports.	<ul style="list-style-type: none"> <li>• 100% production of standard reports in accordance with the agreed upon production schedule</li> <li>• 100% completion of ad hoc report requests within 7 business days</li> <li>• 80% or more report users report "satisfied" or "highly satisfied" in surveys focused on procurement reports</li> </ul>
3.1.1.3	Procurement Performance Reporting & Decision Support	For just the Procurement function this includes the reporting of key performance indicators (e.g. metrics) for programs, priorities, or any other areas of interest. Often this involves the correlation of goals and objectives established in strategic or annual plans, to budgets, to actual costs, and to actual outputs and outcomes. An example is a balanced scorecard.	<ul style="list-style-type: none"> <li>• 75% of key Procurement operations have performance metrics calculated over the appropriate time period and are reported routinely</li> </ul>

Node	Name	Description	KPI
3.2.1.1	Enterprise Procurement Data Governance and Architecture	<p>On behalf of the enterprise, this includes the policies and procedures to define, change, and access procurement data. This includes establishment and management of standard data definitions, for example, supplier and item master information. This also includes the policies and procedures for the structure and location of procurement data. Examples include establishing and managing the system of record for authoritative procurement reporting, establishing and managing internal data warehouse and/or data marts, and establishing and managing external transparency or other data repositories. Often organizations allow individual business units to define and govern additional data elements germane to the respective business unit.</p>	<ul style="list-style-type: none"> <li>• 100% of critical procurement data sources are covered by a comprehensive data management plan, which describes, for each dataset, the data owner, users and steward</li> <li>• This data management plan is updated on an annual basis</li> <li>• 100% of critical procurement data is accounted for in the overall enterprise procurement data architecture</li> <li>• The procurement data architecture is updated on an annual basis</li> <li>• Zero duplicated vendors in the master supplier table</li> <li>• 99% accuracy by end users when classifying non-catalog line items in requisitions using approved spend category taxonomy</li> </ul>
3.2.1.2	Enterprise Procurement Information Creation & Distribution	<p>On behalf of the enterprise, this includes the management and operations to support both internal and external reporting. This is the operational provisioning of the other types of reporting (i.e. procurement, statutory, performance,) described elsewhere in the BPM.</p>	<ul style="list-style-type: none"> <li>• 100% of critical procurement data has an established and documented creation and distribution process</li> <li>• The established creation and distribution process is reviewed at least annually to cull reports that are unused, redundant, or out of date</li> </ul>

Node	Name	Description	KPI
3.2.4.1	Enterprise Procurement Technology Vision & Strategy	On behalf of the enterprise and/or for an individual business unit, this includes the leadership and management of stakeholders to define how digital and technology enabled systems, applications, and tools would be used to support the business process areas within Procurement. For example, collaboration between the CPO and CIO for alignment of the entities strategic plan for Procurement with the entities strategic plan for Information Technology.	<ul style="list-style-type: none"> <li>At least once every two years, the CIO and the CPO jointly develop a Procurement technology vision, strategy, and budget</li> </ul>
3.2.4.2	Enterprise Procurement Technology Platform, Integration, and Process Architecture	On behalf of the enterprise and/or for an individual business unit, this includes the activities to design and develop digital and technology enabled systems, applications, and tools that support the business process areas within Procurement. A typical example is a shared software platform such as an eProcurement system with interoperability and data exchange to the financial system. Technology applications provide support for spend analysis, savings tracking, supplier management, sourcing management, good and services procurement. contract management, content management, spot buy managements, invoice management, and expense management. This also includes the creation and ongoing management of the agreed upon Business Process Model.	<ul style="list-style-type: none"> <li>As needed, documented agreements describing the operations and management of the Procurement technology platform (e.g. agreements that describe the business and technical owners of these systems)</li> <li>100% of activities and processes required to support the Procurement technology platform and integration are inventoried and reviewed for business value and technology relevance at least once every two years</li> <li>The business process model is aligned with the inventory of digital and technology enabled systems, applications, and tools at least once every two years</li> </ul>
3.2.4.3	Enterprise Procurement Technology Service Management	On behalf of the enterprise and/or for an individual business unit, this includes the day to day operation and management of digital and technology enabled systems, applications, and tools that support the business process areas within Procurement. Support may be provided by internal resources or outsourced. Examples include managing the applications and managing the supporting technical infrastructure.	<ul style="list-style-type: none"> <li>100% of service management operations are covered by enforceable service level agreements (SLAs)</li> <li>SLAs are updated at least annually</li> <li>SLAs provide 99% platform availability</li> </ul>