

STRUCTURES



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Definitions of SCAN and CLAN

- ▶ **Strategically Controlled Action Network (SCAN)**
- ▶ A procurement model where local procurement teams report primarily to a central procurement function. This centralised approach allows for greater strategic control and consistency in procurement decisions across the organisation
- ▶ **Centre-Led Action Network (CLAN)**
- ▶ A hybrid procurement model that combines the advantages of centralised and decentralised procurement structures. CLAN empowers local procurement teams to make decisions and execute activities within their specific business units, while a central procurement function provides strategic guidance, sets standards, and coordinates activities across the organisation.

SCAN Features

Feature	Description
Centralized Control	Central procurement function has significant authority over strategic decisions, policy-making, and supplier relationships.
Local Execution	Local procurement teams implement strategies and execute tactical procurement activities.
Standardized Processes	Centralized control ensures consistent procurement processes and procedures across the organization.
Strong Communication	Effective communication between the central and local teams is crucial to ensure alignment and coordination.

CLAN Features

Feature	Description
Decentralized Execution	Local procurement teams operate within business units and report primarily to local management.
Centralized Leadership	A central procurement team provides strategic direction, sets standards, and coordinates activities.
Shared Responsibility	Both central and local teams share responsibility for procurement decisions and outcomes.
Collaboration and Knowledge Sharing	CLAN encourages collaboration and knowledge sharing between central and local teams.

Comparison

Feature	SCAN	CLAN
Decision-making	Centralized	Decentralized with centralized guidance
Reporting Structure	Local teams report primarily to central function	Local teams report primarily to local management
Process Standardization	High level of standardization	Moderate level of standardization
Focus	Strategic, long-term planning and control	Tactical, operational execution and local responsiveness
Communication	Strong communication between central and local teams	Encourages collaboration and knowledge sharing
Flexibility	Less flexible due to centralized control	More flexible due to decentralized decision-making
Risk Management	Centralized risk management	Shared risk management between central and local teams
Cost Savings	Potential for significant cost savings through economies of scale and standardized processes	Potential for cost savings through local expertise and responsiveness

Hybrid Structures

- ▶ Hybrid procurement structures combine the best aspects of centralized and decentralized procurement models to achieve a balance between strategic control and operational flexibility. They aim to optimize procurement processes, reduce costs, and improve supplier relationships

Features of Hybrid

Characteristic	Description
Centralized Strategic Control	A central procurement function oversees strategic sourcing, supplier relationship management, and category management.
Decentralized Operational Execution	Local procurement teams handle day-to-day purchasing activities, such as raising purchase orders and managing supplier relationships for specific business units or locations.
Shared Responsibility	Both central and local teams share responsibility for procurement decisions and outcomes.
Technology-Enabled Processes	Hybrid structures often leverage technology to streamline processes, improve data visibility, and facilitate collaboration between central and local teams.

Benefits of Hybrid

Benefit	Description
Optimized Efficiency	Centralized control for strategic decisions and decentralized execution for tactical activities lead to improved efficiency.
Reduced Costs	Centralized negotiation and standardization can reduce costs, while decentralized purchasing can leverage local supplier relationships and market knowledge.
Enhanced Compliance	Centralized policies and guidelines ensure compliance with regulations and corporate standards.
Increased Innovation	Decentralized decision-making empowers local teams to identify and implement innovative solutions.
Improved Supplier Relationships	Strong relationships with suppliers can be fostered through a combination of centralized strategic partnerships and local supplier management.

Typical Roles in Hybrid

Role	Centralized Team	Decentralized Team
Strategic Sourcing	Develops sourcing strategies, conducts RFPs, negotiates contracts with key suppliers	May participate in sourcing activities for high-value categories but primarily focuses on tactical purchasing
Category Management	Manages supplier relationships, identifies cost-saving opportunities, and monitors performance	May collaborate with central category managers on specific categories
Contract Management	Develops, negotiates, and manages contracts	May participate in contract negotiations and manage smaller contracts
Supplier Relationship Management	Builds and maintains relationships with strategic suppliers	Manages relationships with local suppliers
Tactical Purchasing	Handles day-to-day purchasing activities, such as raising purchase orders and processing invoices	Primarily responsible for tactical purchasing activities
Compliance	Ensures compliance with procurement policies and procedures	Ensures compliance with procurement policies and procedures
Reporting and Analytics	Collects and analyzes procurement data to identify trends and opportunities	May provide data to the central team for analysis

Centralised / Devolved Definitions

- ▶ **Centralised Procurement Structure**

- ▶ In a centralised procurement structure, a central procurement function has significant authority over procurement decisions, policy-making, and supplier relationships. This centralised approach ensures consistency, reduces duplication of effort, and leverages economies of scale.

- ▶ **Devolved Procurement Structure**

- ▶ In a devolved procurement structure, procurement decisions and activities are delegated to local business units or departments. This decentralised approach allows for greater flexibility and responsiveness to local needs.

Characteristics

Characteristic	Centralised Procurement	Devolved Procurement
Decision-making	Centralized procurement team	Local business units or departments
Process Standardisation	High level of standardisation	Lower level of standardisation
Control	High level of control from the central team	Lower level of control, more autonomy for local teams
Flexibility	Less flexible due to centralised control	More flexible due to decentralised decision-making
Efficiency	Potential for increased efficiency through economies of scale and standardised processes	Potential for increased efficiency through faster decision-making and local expertise
Risk Management	Centralised risk management can lead to better control and mitigation of risks	Decentralised risk management may lead to inconsistent risk management practices
Supplier Relationships	Potential to build strong, strategic relationships with key suppliers	Potential for stronger relationships with local suppliers

Advantages & Disadvantages

Feature	Centralized Procurement	Devolved Procurement
Advantages	Consistent processes and policies, Economies of scale, Stronger supplier relationships, Reduced risk	Faster decision-making, Increased flexibility, Better understanding of local needs, Improved employee satisfaction
Disadvantages	Slower decision-making, Less flexible, Potential for bureaucracy, May not meet specific local needs	Inconsistent processes and policies, Potential for increased costs, Reduced bargaining power with suppliers, Increased risk of fraud or corruption

Shared Services Approach

- ▶ A shared services approach involves consolidating various support functions, such as HR, finance, IT, and procurement, into a centralised unit. This unit then provides services to different parts of the organisation, often charging a fee for these services
- ▶ **Key benefits of a shared services approach:**
 - **Cost Reduction:** By centralizing functions, organizations can achieve economies of scale, reduce overhead costs, and eliminate redundancies.
 - **Improved Efficiency:** Standardised processes and centralised expertise can lead to increased efficiency and faster service delivery.
 - **Enhanced Quality:** Shared services can improve the quality of services by implementing best practices and leveraging specialised skills.
 - **Increased Focus on Core Competencies:** By outsourcing non-core functions, organisations can focus on their core business activities.
 - **Improved Decision-Making:** Centralised data and analytics can provide better insights for informed decision-making.

Cross Functional Teams

- ▶ Cross-functional teams in procurement bring together individuals from various departments to achieve specific procurement goals. This collaborative approach enhances decision-making, improves efficiency, and drives innovation.

Team Examples

Cross-Functional Team	Purpose	Members
Sourcing Teams	Identify and select suppliers, negotiate contracts, and manage supplier relationships	Procurement, finance, engineering, quality assurance, and legal
Category Management Teams	Develop and implement category strategies, identify cost-saving opportunities, and manage supplier performance	Procurement, finance, operations, and engineering
Contract Management Teams	Develop, negotiate, and manage contracts with suppliers	Procurement, legal, finance, and operations
Supplier Relationship Management Teams	Build and maintain strong relationships with key suppliers	Procurement, sales, marketing, and operations
Sustainability Teams	Develop and implement sustainable procurement strategies	Procurement, sustainability, engineering, and marketing
Digital Transformation Teams	Implement technology solutions to improve procurement processes	Procurement, IT, finance, and operations
Risk Management Teams	Identify, assess, and mitigate procurement risks	Procurement, finance, legal, and operations

Consortium Procurement

- ▶ Consortium procurement is a collaborative approach where multiple organisations join forces to pool their purchasing power and collectively procure goods or services. By combining their buying power, these organisations can achieve significant cost savings, leverage economies of scale, and improve their negotiating position with suppliers.

Consortium Examples

Consortium	Focus	Benefits
Public Sector Consortia	Infrastructure projects, IT services, office supplies	Reduced costs, improved efficiency, access to specialist expertise
Healthcare Consortia	Medical supplies, pharmaceuticals, equipment	Lower drug costs, improved patient care, reduced administrative burden
Education Consortia	Textbooks, IT equipment, school supplies	Lower costs, improved access to resources, standardised procurement processes

Consortium Benefits

Benefit	Description
Increased Buying Power	Larger volume purchases can lead to significant discounts from suppliers.
Reduced Administrative Costs	By streamlining procurement processes and sharing best practices, organisations can reduce costs.
Improved Quality and Service	Consortia can set higher standards and demand better performance from suppliers.
Access to Innovative Solutions	By collaborating, organisations can access new and innovative products and services.
Risk Mitigation	Sharing risks and costs can reduce the overall risk exposure of participating organisations.