



NIGP

Global Best Practice

STAKEHOLDER RELATIONSHIPS

STANDARD

Procurement functions in three critical areas of stakeholder engagement: 1. conducting individual procurements, 2. participating in entity-wide activities such as budgeting and strategic planning, and 3. continually improving the effectiveness of Procurement.

Procurement's ability to succeed in these areas and contribute to the achievement of the entity's goals are realized through establishing and strengthening effective relationships with stakeholders. Effective relationships require proactive and continual effort through intentional investments of time, resources, and strategies to establish, build, maintain, and strengthen trust and reciprocity. These efforts are key to elevating the profession and attaining a strategic role in the organization. Procurement must be aware of the distinct roles, responsibilities, and authority for each stakeholder in the context of Procurement operations and functions.

Definition

Stakeholder: Any entity, group, or individual that can place a claim on the entity's resources or services or is affected by what the entity does or the services it provides.

Introduction / Background

Achievement of goals results from forging mutually beneficial relationships with groups or individuals. These stakeholder relationships facilitate cooperation, consensus on decisions, successful outcomes, and influence others in a way that helps the entity achieve its objectives.

This Practice is primarily focused on internal stakeholders and, to a lesser extent, on external stakeholders. It will not address general supplier relationships, which are addressed in the global best practice on Supplier Relationship Management.

Element 1: Establishing and building stakeholder professional relationships

Procurement's role places it at the "hub," or intersection, of the entity. To optimize Procurement's strategic value and operational effectiveness, Procurement must create stakeholder relationships with colleagues, suppliers, and other departments, through a structured approach.

Identify and consider roles of stakeholders

Procurement must identify key stakeholders with relevant expertise, knowledge, ability to influence, or authority for specific phases of the desired goal or initiative. That identification may depend on the:

- Consistent and effective communications with stakeholders.
- Nature of the engagement, e.g., is this a wide-scale initiative, a narrower project, or a specific procurement?
- Attributes or scope of the specific procurement, e.g., entity-wide scope or one department.
- Strategic vs. tactical nature of the issue.
- Timing.

Procurement should then consider the relative roles of the stakeholders using factors such as:

- Access to decision makers.
- Access to key information.
- Influence on other stakeholders.
- Sufficient motivation to contribute.
- Availability of time and resources.

Building relationships

Rapport, connection, and respect are essential in building relationships. These are important before and whether or not people are identified as strategic stakeholders. Find opportunities for informal dialogue such as introducing and meeting with new staff, meeting for coffee, and being curious about what is important to them.

Initial stakeholder engagement: Establish and define

Once criteria have been established and stakeholders' roles considered, Procurement then initiates relations with intention and strategy, starting at a high level:

- Clearly communicate the purpose and scope of the relationship.
- Identify desired outcomes.
- Identify the value of the relationship for the stakeholders and for Procurement.

Then, collaborate with the stakeholders by discussing the relationships from the perspective of each party, including:

- Roles and responsibilities.
- Expectations for open, candid conversations and their frequency.
- Limitations such as budgets, timelines, laws, policies.
- Agreement on opportunities and commitments.

Capture the result of these initial interactions and transform it into an actual plan. Follow the S.M.A.R.T. acronym of Specific, Measurable, Attainable, Relevant, Time-bound when developing objectives. The plan should describe who is responsible for performing any particular action, who is ultimately accountable, which stakeholders need to be consulted on specific matters, and which individuals or groups may only need to be informed; equally important, Procurement should consider the timeline and schedule.

Strengthen relationships, credibility, and trust: How to act while following your plan

- Know what is important to the stakeholder; be knowledgeable about their situation and project.
- Explain your background and expertise.
- Engage regularly with stakeholders.
- Share information openly with stakeholders.
- Cultivate a culture of transparency by communicating with clarity, honesty, and following through.
- Listen openly to participants.
- Seek to understand each stakeholder's perspective and motivations.
- Learn to communicate in the mode the stakeholder prefers.
- Participate in training with stakeholders.
- Document and apply what you learn.

Each relationship should encompass an authentic personal element, even within a professional context. For Procurement to be treated as a trusted advisor, one in which reciprocity exists and stakeholders seek the advice of Procurement, Procurement must approach each relationship with a genuine curiosity about, and interest in, the well-being of the stakeholder.

Maintain relationship momentum

Relationships require sustained effort and energy. To keep and to strengthen a professional relationship, carefully monitor and refine the strategies and actions that clearly nurture the relationship and eliminate those that have little positive effect or outright negative effect. It is helpful to capture and share key information, i.e., survey, summarize, and report, the progress toward desired outcomes that Procurement and its stakeholders have agreed on. Incorporate that key information into a continually revised plan.

As Procurement works with stakeholders on desired goals, initiatives, and projects:

- Stay consistent with messaging and level of involvement.
- Establish "check-ins" to assess progress and engagement.
- Use proactive communication to avoid surprises and anticipate potential issues.
- Make realistic promises and keep them.
- Provide options to resolve issues.
- Apply change management principles, which may require different strategies for influencers, early adopters, and those who are resistant to change.
- Identify steps for enhancing each other's competence and success.

Element 2: Achieving success on individual procurements

Procurement functions as a liaison between entity departments and the executive level. Building healthy relationships increases Procurement's involvement in individual procurements and leverages the expertise of other departments in achieving successful outcomes.

Procurement professionals should use their expertise to explain the tradeoffs within each procurement. For example, when working with stakeholders to define requirements and develop a solicitation, if the end user focuses on low price and quick delivery, quality may suffer. If one area is prioritized, another may be compromised. Some of the requirements may be in direct tension with one another, for example, how does the procurement achieve sustainability, social responsibility, low price, speedy delivery, and an innovative solution?

Procurement should encourage clients to consider the total cost of ownership, sustainability, overly restrictive requirements, or risk assessments on procurements. These exchanges build trust and mutual respect, thus strengthening the relationship.

The procurement professional should know who is responsible for performing any particular action, who is ultimately accountable, which stakeholder needs to be consulted, and which may only need to be informed. A responsibility assignment matrix (RACI: responsible, accountable, consulted, and informed) is a comprehensive tool that can help align the various roles and is listed below as a resource.

Stakeholder roles, responsibilities, and authority

Outreach to various stakeholders will depend on the relative expertise and familiarity of the procurement professional with the procurement. For example, procurement may seek a lawyer to better understand privacy laws or meet with Information Technology (IT) staff for their expertise on cybersecurity.

The stakeholders involved in any single procurement may vary and responsibilities may be shared between departments. Lead responsibility should be based on expertise. Examples of stakeholders include:

- Procurement professional
- Legal
- Department clients/End users
- Information Technology
- Finance
- Audit
- Business community
- Project managers
- Department managers
- Supplier
- Corporate risk manager

Boards and elected officials may also play a role in setting strategy and policy.

Procurement should be involved in any and all procurements either directly, or for those that have some form of decentralization, through delegated purchasing authority or monitoring.

Procurement's role includes:

- Incorporating knowledge of the entity's strategic plan and upcoming procurements into Procurement's strategic plan and individual procurements.
- Guiding the procurement process to balance competing interests and ensuring that the outcome is in the best interests of the entity.

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STAKEHOLDER RELATIONSHIPS CONT.

- Collaborating with department clients to:
 - Identify their specific goals, gaps, and possible risks
 - Determine risk tolerance and whether the risks are acceptable to the client and the entity

Legal counsel should be consulted in the following matters:

- Protests, disputes, claims, litigation
- Education and training regarding relevant developments in legislation, administrative law, and court decisions
- Assistance in developing templates, solicitations, and drafting contracts
- Policies and procedures
- Risk management
- Negotiation strategy
- Protection of Personally Identifiable Information (PII), e.g., The Family Educational Rights and Privacy Act (FERPA), The Health Insurance Portability and Accountability Act (HIPAA)
- Issues regarding open-records act requests, e.g., The Freedom of Information Act (FOIA), access to information and privacy

Department clients/end users should:

- Align with the entity's strategic plan, i.e., goals, objectives.
- Share all material information that will support and guide the procurement strategy, including risk identification.
- Develop and confirm specifications.
- Evaluate proposal responses.
- Use the contract consistent with its intent.

Information Technology may contribute regarding:

- Industry standards, innovations, and trends.
- Cyber security.
- An advisor role.
- Contract clauses.
- Data privacy.
- Change management.
- End user license agreements.
- Service level agreements.
- Ownership rights in software development contracts.
- Escrow agreements.

Finance may play a role regarding:

- Budget.
- Approved funds.
- Assistance in the analysis of financials.
- Compliance with grant requirements.

Element 3: Elevating the procurement function across the entity

Procurement's strategic function increases with the effectiveness of its stakeholder relationships and the level to which the entity has established organizational structures for policies, procedures, processes, operations, and the defined roles, responsibilities, authority, and functions. Strategies for increasing Procurement's effectiveness include:

- Participate at the executive level and contribute during early planning stages.
- Determine the best approach for engagement, e.g., phone, e-mail, formal meeting, informal conversation.
- Cultivate a network of trusted advisors and ensure that Procurement staff are perceived as trusted advisors/internal consultants.
 - Schedule standing meetings to engage with stakeholders to determine if Procurement is meeting their expectations and goals. Seek feedback on how Procurement can provide more effective, customized service.
- Educate decision-makers to make better informed decisions.
- Find and foster champions at all levels to increase awareness of Procurement's expertise and service. Consider inviting entity staff to training events, open houses.
- Seek to strategically increase the number and quality of stakeholder interactions.
 - Request to attend department meetings
 - Ask what's important to each stakeholder
 - Recognize the efforts of other departments to overcome challenges

Element 4: Stakeholder relationships can help improve effectiveness and efficiency.

Stakeholder relationships are essential to continuous improvement both within the Procurement function and throughout the entity. When successful relationships are maintained, stakeholders can assist continuous improvement efforts that extend beyond their role as clients. When revising operations and policies, Procurement should elicit feedback from its stakeholders, be open to receiving suggestions, and establish processes for implementing improvements. Feedback may be gathered through informal conversations, formal discussions, or surveys, any of which require that positive stakeholder relationships exist.

Stakeholders may possess other valuable expertise and resources that may not be immediately obvious. For example, if Procurement is improving its contract management practices, Facilities may add value through its project oversight experience and project progress report monitoring, which would be useful to all contract administration.

Areas that may be improved by stakeholder engagement may include:

- Training. Human Resources may hold expertise in curriculum development and teaching techniques that could be applied to procurement training.
- Strategic planning. Employees in stakeholder departments may facilitate strategic planning, e.g., they may have experience with brainstorming and other tools useful for planning and analysis.
- Measurement of operations. Other departments may employ professionals with experience in measurement and data analysis. A Human Services Department, for example, may employ a staff member with skills in survey design and analysis, a relevant topic for Procurement surveys of customers. A Finance Department employee may contribute to cost reduction and avoidance measurement.
- Development of various tools, forms, and guidelines for employees.

Stakeholder assistance to Procurement in its continuous improvement efforts may require considerable investments of time. Procurement should reciprocate and contribute when possible. For example, stakeholders may find Procurement's special ability to lead, as exhibited with evaluation teams, useful in a project they undertake. Cultivating this kind of reciprocal stakeholder relationship, in which each party is valued and called upon for their unique skills and expertise, is built over time, and helps improve effectiveness and morale, not only in Procurement, but throughout the entity.

Resources

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