How to Use Mavericks to Solve the Maverick Spending Problem

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Date : January 26, 2015

I have always considered myself a bit of a maverick (even though the term was sullied by Sarah Palin). I mean, the main character in “Top Gun” was Lt. Pete Mitchell, and as such, friends and colleagues at some of my previous employers have given me this nickname. I don’t mind. I think we need mavericks. Mavericks are good. Mavericks shake up the system, and they point out where the system needs change and improvement. This could not be more apt than in procurement.

The conventional procurement wisdom is that maverick spending is bad and that we need to shut down the mavericks. I don’t buy it. I actually think that maverick spending is good. What?! Yes: it’s good. Why, you ask?

Maverick spending is a gold mine for understanding failures in the procurement system (with a big “S”). It’s absolutely a critical KPI: in order to reduce it, you have to not only define it (which can be more complicated than you think), but also identify all of the root causes that impact it. Those causes cannot be just ascribed to malfeasance and renegade requisitioners. Rather, they can lead to a better understanding of procurement processes that have failed in terms of stakeholder management, sourcing, P2P, etc. These root causes are *kaizens*, and wonderful opportunities to pursue. But let’s talk about the definition of maverick spending before we get into the root causes.

Maverick spend is usually defined as off-contract spending.

Some firms define it in a similar vein as spending with non-preferred suppliers. But the devil is in the details. Here are a few questions to ask:

- Is using any preferred supplier OK, or must the right supplier for the right spend category be used? If so, at what level on a multi-level category tree should this be established?
- What happens when a category doesn’t fall neatly into one node on a taxonomy? For IT outsourcing, is it IT, or is it outsourcing? If both (or either), how do I model it?
- Is maverick spending binary? If I have a few preferred suppliers in a spend category, or even multiple contracts from one supplier, and the requisitioner is using a less favorable contract, is it maverick? How about if the preferred vendor doesn’t meet the needs of the requisitioner, but an approved supplier is available? Is it completely maverick? Not maverick? Somewhat maverick? How about if there’s a formal approval workflow (e.g., non-preferred travel partners)? Is the approved non-preferred selection maverick?
- Should compliance be determined at the item level? If I determine that, should I use Grainger for safety goggles and have negotiated a 20% standard discount, will I allow someone to get a NASCAR branded pair with that same discount if the budget owner doesn’t mind (e.g., as an employee perk)? This is a philosophical issue and will vary by

company. So is there only one 'right' approach?
- Should I include the transactional compliance in my reporting? If use a p-card to buy the same item from the same supplier on-premise, but it was on a catalog that should have been settled via ACH, is that part of the maverick spending calculation?
- If I have multiple contracts because I split sourced the market basket wisely to optimize the spend, do I now have to define the compliance rules based on geography, business unit, role, user, dollar amount, custom category attributes, etc.? If so, my contract compliance reporting has suddenly become very complex.

Just the definition of contract compliance forces a discussion regarding trade-offs of user choice/satisfaction, efficiency (including monitoring/tracking), controls, savings capture, etc.

It also highlights the detail of data you'll need to capture if you are going to do maverick spending reporting and realized savings reporting. Plus it'll force the issue of how well contracts are modeling these compliance requirements and also how you are tracking costs (cost models, cost drivers, cost pools, etc.) and their impacts on budgets. Contracts are becoming increasingly sophisticated, and contract compliance reporting and realized savings reporting is just not keeping pace.

I've yet to find a single company that can do maverick spending at a level of detail that explicitly deals with all the complexities that I just listed. Such reporting is not simple OLAP off of simple spend cubes. There is a programmatic aspect to deal with all the rules. Also, I have not even included a broader picture of spend compliance that factors in regulatory compliance, transactional compliance, supplier compliance, internal SLA compliance, etc. – nor how contract compliance performance relates to other sets of metrics such as stakeholder satisfaction, process efficiency, etc. We will deal with these issues in the second part of this series on Spend Matters PRO.

If you are a practitioner or a provider working with the practitioner that has supported this level of complexity, please contact me privately to show me what you have done. **I will offer a free month of Spend Matters PRO access to anyone who can manage these nuances, and hopefully done before the maverick spend actually occurs.**

In the next edition of this series, we will dive into all of the root causes that affect maverick spending that themselves are not compliance issues but, rather, broader procurement and spend management issues that should be addressed (i.e., did we properly engage stakeholders on requirements, did we apply collaborative sourcing techniques? Did we design an effective P2P process? Did we make it easy to do the right thing?). We'll find that the so-called mavericks are in fact prospectors that will lead us to gold.