

Best Practices in Applying Procurement Best Practices

Author : Pierre Mitchell

Date : January 7, 2015

“Best practices” have been getting a bad rap lately. It has become fashionable to poo-poo them as cookbook techniques based on stale thinking that get rotely applied and misapplied by folks with sloppy thinking or something to sell you. Makes sense right? A hundred years ago, using a longer-lasting buggy whip was likely a transportation management best practice. Or let’s take a more modern example: p-cards. P-cards used to be a broad-reaching best practice to reduce transaction costs for low dollar spending, but now, many firms have minimized p-card adoption as other electronic buy/pay methods have become more robust.

So, many practices do in fact have a shelf life. Best practices also have other problems:

© 2015 Spend Matters. All Rights Reserved.

- They are often too high level – and sometimes they are too low level. If it is too high a level, then it’s a principle or a platitude. If it is too low-level, it will not be relevant (and clearly not ‘best’) for others to adopt.
- There is no good definition of a “best practice.” Is it just a technique? Can it be a higher-level methodology, framework, or body of knowledge? Conversely, can it be a lower level tool? These terms are misapplied all the time. As evidence, consider Bain & Co adding “Supply Chain Management” as one of its “management tools” to its top 10 list (link is [here](#)), right next to “Mission and Vision Statements.” That’s a pretty sad statement about lots of things.
- They suffer from pseudo-science. The biggest problem here is the spurious correlation between a practice and an outcome. Correlation does not imply causation, but that doesn’t stop the purveyors of these practices to sell their books, services, software, etc.
- The benefits from implementation are not attributable only to a single practice or enabling technology. There are many causes and many related solutions (this is why senior management is fond of picking the root causes and solutions that do not require any explicit investment).
- Most fundamentally, how do you know whether a practice will actually be best for you? It’s only one of many potential interventions that might affect dozens of causal factors that create the problem(s) that you are trying to solve.

This last problem seems daunting because if everything is so massively multivariate, then why bother with any type of intervention? Why trust anyone touting any such practices? What to do? Well, one popular approach is to just change the term, and call it a “good practice,” “emerging practice,” “leading practice,” or the ever-popular cool-kid term of “next practice. “ Problem solved! This is akin to just renaming “purchasing” to “procurement” or “supply chain”... or renaming “strategic sourcing” to “category management.”

Obviously, merely renaming the term “best practice” does not solve the problem. More problematically, throwing up your arms in disgust at the whole concept is also not a good way to energize your transformation efforts.

Herein lies my “beef” with those who do so – whether it’s the CPO (chief procurement officer), a

buyer, or a third party provider. Although the misapplication of a “best practice” can be dangerous, I think that the damning of the term, and more importantly, what it stands for, can be just as dangerous. So, to really start applying beneficial management practices, one has to have a framework for implementing them. There are specific ways to model them, develop them, characterize them, and make them a part of your DNA. It affects performance metrics (and measurement systems), benchmarking, continuous improvement, talent management, and your overall transformation (e.g., getting funding for a key project you are trying to sell to senior management).

In our next part of this series, I will outline some good practices in managing “best practices.”