

Procurement Must Stretch Beyond “Procurement Best Practices”

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CPO’s love to network and learn from one other. And tons of firms are happy to host them for such intimate gatherings. I’ve facilitated many of these sessions – and it’s all good. But, inevitably, the strategies, techniques and transformation stories begin sounding very similar. Innovation begins to falter and procurement can find itself falling back on old ways.

Most procurement organizations know to benchmark themselves against others outside of their own industry, but they often don’t look to completely different functions, processes, technologies, techniques and even cultures to help them find and deliver new sources of value. For example, there are dozens of techniques and technologies in the CRM area that can be implemented/adopted within the firm to serve your internal “customers” – as well as externally out to your suppliers. This is a whole research series in its own right. For example, if you work in procurement, you may want to learn how:

- Large management consultants use knowledge management to gather/store intelligence, how to catalog their transformation projects for storyboarding/reuse and how to model their supply of skills and competencies in order to do detailed resource planning based on customer needs. A few of them are also pretty darn good at managing large volumes on contractors efficiently and with rigorous risk management. Many are also quite skilled at E&C firms and do project portfolio management and tie that into advanced costing and to resource planning.
- Supply chain network design techniques/tools can be applied to procurement. Where do you think bid optimization came from?
- Competitive intelligence groups operate and the advanced content/intelligence tools they use? The same could be said for spy agencies. Want to use real-time geo-spatial modeling to track activities at your competitor or supplier sites?
- Data scientists in financial services and big data analytics firms are building predictive models that put your Altman Z models to shame.
- Social media firms and digital content tools can track your every move – and potentially those of key personnel at your suppliers. Install “ghostery” in your web browser and you’ll be amazed at the number of social monitoring tools watching your every click. Then, gleefully disable them as you like.
- Quality control/assurance departments got out of the expert/compliance business and got into the enablement game. Wouldn’t it be nice if all your employees were on the lookout for suppliers who could be on the lookout for breakthrough suppliers? Tens of thousands eyes and ears working on your behalf. By the way, you do have your folks trained up to at green belt level to lean out your (or your suppliers’) processes, right?
- Crowdsourcing takes many forms and can be applied in some relatively straightforward means.
- Progressive IT organizations are giving employees the social/mobile/analytic tools they need to really innovate and make their lives easier.

Spend Matters: Chief Procurement Officer

<https://spendmatters.com/cpo/procurement-must-stretch-beyond-procurement-best-practices/>

- CPG firms manage brands. How do you manage your procurement brand? Is it clear? Is it compelling? Do you actively manage it?
- XaaS (everything as a service) architectures from cloud competing apply to your procurement “services stack.” Are you reading Spend Matters?!
- Behavioral economics applies to procurement. There’s a lot of stuff out there if you look for it. It’s important. We are not rational actors – nor are your suppliers. Exploit the irrationality to your advantage in negotiations and beyond.

I’ll stop here. You get the point. The more you can “change your frame” and find solutions already pioneered in other domains, you can apply it to your firm and look like an absolute genius. In fact, you may even find many of these competencies in your own firm. I’m not listing these to show off and have you start chasing these down in order to show off at the next procurement networking event you go to. The real skill is your ability to listen to your stakeholders and to abstract their problem in a way that a relevant solution can be found from a supply market. Remember, the end game of procurement is to safely tap supply markets for competitive advantage (or just supporting the enterprise mission), so if you can find the best “solution”/approach that helps your stakeholders solve their business problem, you have become an innovation-seeking gate opener, not a gatekeeper.

Supply market intelligence starts from procurement being intelligent about how business requirements can be matched intelligently to what supply markets can offer. So, the greater your diversity of knowledge of solutions from far flung areas, the better you’ll be able to match supply [solutions] to demand [requirements]. And frankly, THIS is why procurement is so interesting to me personally. Yes, this broader purview is aspirational, and maybe even inspirational, but life is short, and for me, I don’t want to just live “in the box.” And I want to collaborate with those who don’t want to just live a dead corporate life. I want to be a part of a community where we can inspire each other, enrich one other and allow ourselves to give something to ourselves while we also help our firms, our suppliers and our communities. It’s a philosophy we all share at the Azul Partners family. If you share this vision, we’d love to hear from you and collaborate with you. Come join us – you are welcome here.