

A spark of inspiration

Supply Management Awards 2007 OVERALL WINNER E.ON

Our winners revitalised procurement at E.ON UK with an innovative training academy, boosting staff satisfaction and creating a company-wide trend. Steve Bagshaw hears how they did it

Here are some quotes you don't often hear from procurement professionals: "When we did a recruitment drive in 2006, the majority of internal candidates pointed to the opportunities in procurement as the main reason for applying." And what's more: "People were coming for jobs even when there were no openings."

That's right, E.ON UK's procurement department has such a good reputation that internal candidates were flocking to join. Not too many other procurement departments can make that kind of claim. But with recruitment an increasingly tough proposition, many would like to share it.

Both come from senior procurement professionals at the power and gas company, overall winners at this year's awards.

E.ON employs more than 15,000 people at sites across the UK and has an annual procurement budget in excess of £1 billion. The basis of its award is the Procurement Functional Academy (PFA), which was the brainchild of director of supply chain Colin Davis, after he joined in 2004.

"We were a decentralised organisation and this [PFA] brought folks together," he recalls. "Previously we had no real clarity around how we judged capabilities and how we would develop staff. So we created the PFA and put together a capability model. These are the capabilities we'd expect of a procurement expert - a model we can assess people against."

From idea to reality

The project began with a consultant's assessment. It concluded what many suspected. The function was bureaucratic, administrative, with little focus on adding value and no long-term strategy. There was a lot of work to do, as Davis acknowledges.

"Staff were dispersed and had no ownership, no sense of being a member of anything. So what we did was bring folks of like minds together and said, 'wouldn't it be great if we as a group committed to something good on behalf of E.ON?'"

Their task was simple yet daunting: to put in place a programme that would deliver a world-class procurement operation. So the company appointed a procurement leadership team, combining existing talent in the business with experienced new recruits. Out of this was born the concept of the academy which launched in July 2005. During 2006, team members received training in core behavioural skills (positive power and influencing); negotiation; internal ways of working, including internal processes; technical skills, including EU directives, terms and conditions; inter-cultural training including German and Swedish language tuition.

The programme has been a great success. "Now the staff are part of a single function, and there is a sense of belonging," says Davis.

For Paul Trilloe, procurement manager (who was at E.ON before Davis arrived) this cohesion is very welcome. "Then it wasn't always about an individual's capability. It was a case of, if you're in a procurement activity, what sort of career path have you got? What future do you have at E.ON?"

Now, and since the changes and the academy's introduction, things have altered. "It gave people a sense of worth and value and it made a difference to how they felt. The vision gave staff a way of looking forward."

This in turn has boosted the confidence of the function as a whole. "Previously there was culture of subservience to hierarchy and thinking, 'well you can only push it so far'.

"It took somebody from the outside to say, 'Well, why? What are the issues? What is the risk? Why can't you become more self-aware and understand your capabilities?'. And when many people did that it generated momentum. Davis was that somebody.

Five-year vision

So what was created after that discussion? "The 'commitment spearhead'. Rather than creating something new every year, we wanted a five-year view of what everybody could achieve and have a micro-plan within it every year, which says what we are going to achieve in that time." And, adds Davis, what underpins this approach is "our beliefs and commitment to the way we will succeed through our people; recruiting the brightest and the best."

The department now has 80 staff, up from 40 when Davis joined. Some have moved on but 75 per cent have remained.

Good recruitment has been vital and, according to Dave King, project manager procurement, the investment in career development has made it a lot easier.

"There was a general awareness that procurement was making waves across the business, so people who had interaction with it had seen some of the things that were happening," he says. "And when they start looking at the Functional Academy, they see the development that is on offer. We were getting a lot more recruits off the back of that."

Paul Andrew, procurement manager, network procurement and supplier development, says: "We even had somebody join us from energy trading, which I don't think would have happened in the past. Energy trading were the elite team, they are like stock market traders."

In fact, the demand for positions was such that "people wanted to be trainees and they applied even when there weren't any jobs. They wanted to be interviewed in any case".

And, says Trilloe: "As procurement becomes more embedded and people understand more what you do, they realise it is an interesting profession."

The academy has been such a success it has been duplicated by other E.ON functions. "Procurement was the first so the organisation as a whole believes in the idea of creating academies," says Trilloe. "It had a lot of positives and people are curious and interested."

Blow the budget

Needless to say this kind of ambition does not come cheap. "We have been pretty arrogant over the past three years," says Davis. "And sometimes outrageous in how we have tested budgets - we've blown budgets to produce this five-year plan. We would rather do that and ask for forgiveness, than not deliver."

Words to lift the heart of any finance director, they're not, but it has all paid off. "We have brought in the best trainers, assessing who does what best," says Davis. "That has included going to the IMD Business School in Switzerland for responsible procurement expertise.

So what has the investment in the development of procurement staff meant for the rest of the business?

- Procurement has delivered £35 million savings against a 2006 target of £24 million.
- It now influences more spend, surpassing its goal of 75 per cent by 8 per cent.
- Customer satisfaction has been comprehensively measured for the first time and stands at 83 per cent.
- Within procurement the changes led to 5 per cent achieving promotion and 19 per cent undertaking a positive development move.

The team is highly regarded for its expertise and professionalism. Customers are confident it will make the right decisions to help them get value for money.

The department has enjoyed support from Derek Parkin, the MD of business services and Davis' boss, and other senior executives. "The board made the commitment to put this together and have remained engaged and supportive."

Tipping point

And, Davis says, there were a few significant moments when he knew the project was going to be a success. "I was having a meeting with a German colleague," he says. "A guy who buys marketing said, 'can I come along because I believe I can do this for the whole group'. It's points like that when you realise you have created a bit of a monster."

Andrew adds: "A few of the cynics here went on the four-day course and they thought it was great - when they came back they used all the tools. And these were people who had been on course after course over the years. Because it was tailored to them and not a standard course, they could see the use of it, and apply the principles back at the office.

"This was the point at which we thought we could change the mindset." So what advice would Davis give to others embarking on a similar programme?

"Be clear at the beginning where you want to get to in five years. And be adamant, regardless of what barriers or difficult circumstances you face. Keep true to where you are going. Be true and honest with the people around you.

"And don't worry about mandate - you can earn the authority by what you do."

'Taken from Supply Management magazine, archived article, Oct 2007'