

From prevention to cure

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CATEGORY- Best process improvement initiative

WINNER- Fujitsu Services

Procurement has shrugged off a lack of respect from other departments to boost margins, sales and, the company's standing with suppliers writes Emma Clarke, Freelance specialist journalist, purchasing and supply.

In 2004 procurement's morale at Fujitsu Services was low. The team, obsessed with cutting costs and securing rebates, had lost respect from the business and from suppliers. Sales teams preferred to contract directly with the supply base rather than involve procurement, whom they dubbed "sales prevention". And procurement's relations with suppliers, focused at an operational level, were hostile.

All that changed when the supplier relationship management team was born, and with it a new approach to procurement. Out went the obsession with cost-cutting and rebates, and in came objectives such as forming stronger, more cohesive links with suppliers, increasing business opportunities and revenue growth.

As a reseller of the technology that suppliers provide, the team realised how important the supply base was to Fujitsu. As a result, they decided to pull together all the relationships being formed across the business and work with suppliers to create shared value. "If we wanted something from our suppliers, we needed to show we were giving something back," explains Natalie Frost, senior sourcing manager.

To promote its services and achievements to the business, the SRM team set up an intranet site that provides profiles of key suppliers. An online supplier scorecard, updated by contributors across the business, helps suppliers to focus on what matters most to customers throughout Fujitsu.

Following the changes, procurement has saved £31 million in 12 months, or a 16 per cent saving of total spend compared with 8 per cent the year before, and contributed to improving the overall buy-sell margin by 4 per cent.

As a result of this programme, Frost has learnt to consider business advantages not normally associated with procurement. "We use supplier relationships to bring us new customers and assist the sales team in selling to their customer as well."

The newfound respect from sales and other divisions in the business is Frost's proudest achievement. "The sales team have seen the value of what we have delivered and are now asking us to help with bids."

John Bland, director for infrastructure sales, explains the value procurement now brings. "They proactively work with my staff to understand and develop the market opportunity. Their in-depth understanding of the competitive landscape helps us to improve the margin."

As proof of the value suppliers now take from the relationships, Fujitsu Services was awarded Reseller of the Year 2005 from FSC Computers and Customer Service Partner of the Year 2005 from Oracle.

The judges of the CIPS Supply Management Award commented on the team's innovation and thoughtful leadership. But Frost believes persistence was also a key factor in their success, to get the business to listen and be convinced that procurement had the ability to make a difference.