

Stand and deliver

Ninian Wilson is transforming one of the UK's biggest buying jobs. And he has the board's buy in. Paul Snell discovers how he plans to tackle process, people and technology

Attached to the wall behind the desk of Ninian Wilson, group procurement director at Royal Mail, there is a board upon which the figures "3 in 3" are written. Next to them there is another number - 155.

"That's my objective," he says. "We're going to be in the top three procurement departments in Europe, in three years, and I've only got 155 weeks left to do it."

And Wilson is convinced his target, while ambitious, is realistic. "It is moderately aggressive," he concedes. "The base we are starting from is a bit low, so we have a long way to go. But in almost every part of procurement there is room for improvement."

Procurement at the Royal Mail is on a colossal scale. With an average annual spend of about £2 billion, the group spends £140 million on diesel for its 33,000 vehicles, £49 million per year on gas and electricity, £60 million on print and stationery. It almost makes the £1 million per year it spends on elastic bands insignificant.

And since Wilson was appointed there has been a huge change to the way procurement operates. He was brought in as part of the Royal Mail's Procurement Transformation Project. He is clear about what he wants to achieve: "To professionally upgrade and upscale the people, to give them more tools and capability to do a better job in terms of the procurement spent. And to save £300 million by 2009." A huge job. And one the importance of which emerged even before he got the role. "The chief information officer, who I was going to be reporting to, said 'this is an important position, so Adam Crozier, chief executive would also like to interview you'. That gives you a lot of confidence the business wants to take it seriously".

For the Royal Mail board, making procurement more professional and getting more value out of its supply base is a priority. Wilson's boss, Ian Griffiths, managing director of Royal Mail's letters division, sits on the management board. And a close relationship with the senior management helped when presenting his business case for the transformation project.

"I was scheduled for the board meeting on 4 July - procurement's independence day. The board was expecting us to present what we had found in my first four or five weeks. But I took a different view and said we're going to present what the opportunity for improvement is, and how much it is going to cost. The feedback was - do it straight away, we think it's great".

Wilson admits his target of making £300 million of savings within three years is going to be hard. But he has been boosted by board investment in procurement of £7.8 million. "We're standing on the edge of the cliff. And we are looking out to where we want to get to".

He has been able to utilise the "corporate memory", provided by the team. "You come in and listen, and we've done that. But we're past the listening, and it's now execute, execute, execute".

Get stuck in

But how do you develop a procurement strategy for such a vast and varied spend? "One of the problems is figuring out what your top spend is, also the segmentation of it, and we hadn't got any categorisation of spend," he says. "We did that work in the first month here. Once you've got the categories, you know your spend, then you develop a sourcing strategy".

An example he gives is Royal Mail's telecoms spend. On arrival he asked how much it was and was told "definitely £25 million". On closer inspection of suppliers, contracts, and embedded spend he found the total cost was in fact £127 million. And next year it will be £140-£150 million.

His biggest challenge has been getting around the business, meeting people and explaining why procurement is changing. And, he says, non-purchasing colleagues have been surprised they have done it without any external help.

This tactic is also helping to raise procurement's profile. "I've started running sales training courses where I stand up and say, this is how procurement people think - which can be frightening sometimes. That's where we can add value by doing internal training on how a buyer thinks, or how to sell to a procurement professional".

Personnel development

The transformation in procurement has three elements, the first of which is "people", the reorganisation, development and training of staff.

Royal Mail employs about 100 purchasers, working across 10 locations around the UK. The transformation will reduce this to three - in London, Chesterfield, and Milton Keynes. This was a difficult decision because many of Wilson's staff will not want to move. But in his view it was necessary to bring staff together and get them working with each other.

Salaries in procurement will be increasing, thanks to an additional £2 million agreed by the board which will take pay up to market level. Wilson believes increasing

remuneration will make purchasing at Royal Mail more attractive. And he says he will be fighting for "top people, with top performance" to replace staff who leave.

Wilson praises his staff for their skill at what he calls the "contracting" element of procurement; abiding by OJEU procurement rules, sourcing the market and putting down terms and conditions of the contract. But there are opportunities for them to improve contract and relationship management, and market analysis, so they know they are dealing with the best firms.

"We haven't had many people coming into the department so it's been a bit static. And the geographical dispersion means there are team members who haven't met everybody else, which isn't the way I like to run things. It's no good if I succeed and he doesn't. All that means is we both fail a bit".

Wilson also thinks that procurement's more high-profile position is helping build relationships with other parts of the business. "Procurement has never been positioned where it is now. In effect I sit on the executive team that runs the letters division of the business. So I'm not just the procurement guy doing corporate, I'm helping to run a big part of the business".

"Before it was more like procurement was told what to do at the end of the process. And that's really hard for procurement people, because that pushes them and demotivates them".

During his time at Cable & Wireless, Wilson said his staff were not buyers, and they were not viewed as buyers by other parts of the business. He wants to encourage the same atmosphere at Royal Mail, so his staff turn into "commercial problem-solvers".

And watching his staff develop these skills is a big buzz. "I get the biggest kick from the people side of the job, because some staff here haven't had the development they perhaps should," he says. "Seeing individuals grow a bit over the last few months, that's fantastic".

How to 'veneer'

Improving procurement processes is the second part of the transformation, with the introduction of strategic sourcing. This has already enabled procurement to produce some "quick wins". He cites taking 20 per cent out of the cost of print materials as an example.

But it isn't just about cost reduction, despite the targets that have been set. Changing processes is also about increasing the professionalism. "Coming from a high-performing team, my expectations are high", he says. "When I first asked for a couple of reports, there were no standard templates for anything. Again it all comes down to professionalism. So we have done a bit of what I call 'veneering', around how people engage and work, because you have to take professionalism deep".

To aid this the procurement team has developed a competency framework for its staff. "We've already implemented basic measurement tools. We run procurement as a project - everything's got a milestone, everything's deliverable, everything's measured".

The department also began a full supply chain review. "We've been pretty assertive about getting things done. When I arrived we had about 66,000 vendors on the vendor master file. Now it's down to 10,000, which is still a lot, but we turned off 56,000 in one day".

He expects the number to come down further, to around 2,000, but does not want to set a final target until the strategic sourcing work is completed.

He is in the process of recruiting consultants to help manage these changes, but Wilson is not afraid they will take over the project. "If you're good enough and you're big enough in the company, you should be the person who builds the case for change, and bring in the consultants", he says. "If you're not, it gets done to you. So do it yourself and be in control of the process".

Technology

The third element of the transformation is an increasing focus on technology. Wilson has been a big supporter of e-procurement in his previous jobs, and upgrading the system is another priority of the project, in addition to providing new tools for e-tendering, e-auctions and knowledge management.

"When you buy SAP (the system being used) you buy a Ferrari. We bought a Ferrari, but we are driving it like a Mini. We need to put some new wheels on it and learn how to drive a lot faster. Maybe we'll never get to Ferrari, but if we could get up to a BMW M3 that would be great".

Part of this involves looking at an entire pay review with the finance department, from item requisition to supplier

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payment. Wilson says this is necessary because if the system had been working properly, they wouldn't have ended up with so many suppliers.

The focus on improved technology is also partly motivated by a wish to make it easier for those without purchasing skills to follow procedures, as most of the buying at Royal Mail is still handled at the local level.

"The ethos is you want to make doing the right thing as easy as possible", he says. "My job is simple. To support our people operationally, make things easy for them, to get good value from our suppliers, to save a bit of money and develop relationships".

Risky business

Wilson says he is "moderately uncomfortable" with the level of risk that such a large transformation in procurement involves. But he is happy it is "about the right level".

"The person who never takes any risks never makes any decisions, and doesn't change anything. I think most of the team expected me to be quite radical, and I wasn't bought in to be a conservative guy", he says.

He cites two main risks in the project; the people involved and driving change within the organisation. "There's a risk that people will get 'switched off' as we go through the significant changes here", he says. "The other is that people are fantastically loyal here, but that makes getting change through hard".

At the same time as the procurement transformation, the Royal Mail is also dealing with the after-effects of losing its monopoly on postal services. But Wilson sees this as a huge positive for procurement.

"You're going to lose market share, because if you've got 100 per cent you can only go down", he says. "So that sharpens the focus on procurement to take costs down. So therefore it's a great opportunity to stand up, deliver and be counted".

"The second opportunity is in new product development. So helping the business to work with our vendors to secure new services that deliver competitive advantage".

What lies ahead

Looking towards the future, Wilson says there will probably be a slow down during Royal Mail's busy Christmas period, he hopes that in about a year's time the majority of the work on the transformation will be done. And once completed, the department should just move to a "business as usual" operation.

And Wilson displays typical enthusiasm regarding his own future: "It's going to be pretty exciting in this industry for the next three or four years. I've been saying it will be my last procurement job for the past two or three jobs. The problem is, I just love it. Spending someone else's money? Fantastic! How can you go wrong with that"?

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