

From Local to Global

The company's ubiquitous advertising slogan reflects the expansion and higher profile of the purchasing function, writes Geraint John

HSBC's global advertising campaign, with the strapline "the world's local bank", is somewhat paradoxical. It emphasises the differences in culture and customs between nations; yet it is the product of a single agency contract designed to bring a degree of uniformity to the company's branding.

There are parallels with the development of HSBC's purchasing organisation. Despite operating in 77 markets around the world, prior to July 2002 purchasing expertise was concentrated in the UK, France and, latterly, Brazil and there was a lack of international co-ordination or standardisation in how sourcing was handled.

Sir John Bond, HSBC chairman, recognised that as the firm expanded globally, there was a need and an opportunity to buy more effectively across borders. At his behest, a group-wide purchasing function was created and David Pritchard appointed to lead it, with a brief to develop professional teams in all of its major banks and, crucially, to create a global network to connect them.

By the end of 2003, the US, Mexico and Hong Kong had been added to the three established functions. Together, they account for a big chunk of the group's \$8 billion annual external spend. Singapore and Australia are among the countries where teams are now operating and, notes Carl Hodgkinson, head of purchasing for Europe, Middle East and Africa, inroads have also been made in challenging areas such as Saudi Arabia and Switzerland's famously secretive private banking industry.

A series of multinational training events over the past 18 months has helped to instil common procedures and give members of the 350-strong purchasing network the chance to get to know one another. A group of 15 relationship managers based in the UK and France provides expertise and advice to augment the communication channels provided by weekly conference calls, regional and global meetings, and an intranet site.

This, hand-holding from a distance, has been invaluable in the early stages, says Hodgkinson, but a sign that the network is growing in maturity is the fact that individual buyers increasingly contact their peers when they need help, rather than relying on head office - going not just to the hub, but around the wheel, as Hodgkinson puts it.

Evangelism through secondment, is another key element in the step-change programme, and one that Pritchard, who had spent time in Brazil building up the function, championed. This started with UK specialists going abroad for two to three years to spread their knowledge, but more recently the traffic has become two-way, with a UK purchaser spending six months in Bermuda following a takeover of a bank there, and a Bermudian buyer learning the ropes at the UK function's offices in Sheffield.

All this activity has delivered where it matters, to the bottom line. New cost savings are on track to hit \$350 million by the end of 2005 - a fourfold increase - thanks in part to average growth of 55 per cent in purchasing's penetration. Seventy global contracts (including the WPP marketing deal) and a number of regional agreements are now in place, and an Ariba e-procurement system has been rolled out across the group.

We now operate at a completely different level - much more strategic and engaged with the most senior executives in the group, says Pritchard, who reports to a main board member and whose title was recently elevated to chief procurement officer.

Within 24 hours of winning its award, Pritchard, who was on business in India at the time, says he received a message of congratulation on his BlackBerry from the group chief executive, Stephen Green.

Three years ago that would never have happened, even in the UK, he says.

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