

Thinking aloud

Procurement has been working hard to raise its profile as a profession and get more involved with the business at all levels. But is it having any effect on what others think about purchasers? Helen Morrissey finds out

According to the Financial Times (20 June) procurement is "precisely where a lot of the vital action is" and "the disciplines and attitudes of the procurement department are now being unleashed on an ever wider array of goods and, crucially, services." Conversely Stefan Stern's On Management column also referred to buyers as "in charge of paperclips" and asked, "Is there a less exciting topic in management than procurement?"

Agree or not, this type of coverage is good for the profession's profile. So what does your senior management team really think of their purchasing team's performance? Or do they think about it at all? And what about our peers and internal clients in other departments: what do they make of the profession's role? Is procurement a strategic partner negotiating the best deals and generating real efficiencies? Or a penny pincher who places restrictions on what they buy and who they buy from?

Pros and cons

Paul Blantern, corporate director of customer services at Solihull Metropolitan Borough Council, believes buyers do a great job.

"We established procurement as a corporate support function 18 months ago and it has provided expert advice on supply chain management across the whole council." Prior to its establishment, he says, "lots of spend was kept within silos" and procurement "didn't really exist as a corporate discipline". Now, it is buying a huge range of goods and services, from children's beds to highway services.

He says there have been many benefits: We made £1.5 million cashable savings in the first 12 months, and because we had a lot of common spend we have achieved economies of scale. There was also a useful spin-off, which was less easy to foresee: It has given us better financial discipline, making us look at where we spend and improving financial management.

Establishing the function has also raised the profession's profile, as top suppliers are called in to meet senior council officials: Now they know who we are and what we do. Last year the department won a SOPO award for outstanding achievement in procurement, he says.

But not everybody is so convinced.

"I don't feel that many companies regard purchasing as a valuable part of their company," says Paul Green, group supply chain director at equipment hire company Speedyhire. "In some sectors it's better than others. For instance, the automotive industry is more advanced, but purchasing is seen as a label in many areas."

So much so that in January this year Speedyhire rebranded its purchasing function, giving it the name supply chain - and with great success.

"The rebrand has transformed understanding of the function," he says. "Using the term supply chain says the function touches all areas of the business from the early aspects of identifying what areas to go into, through to working with suppliers and bringing new products on to the market."

Measuring success

This raises the question of whether the profession is doing enough to improve its image.

"Purchasing used to be regarded as a department that people would go to before retirement," says Mark Williams, operations director at recruitment firm Supply Chain Personnel.

"However, there has been a definite change as more questions are being asked about how supply bases are being managed - purchasing is a key part of this. This has allowed the function to get more involved in other areas of the business than before."

And, according to Williams, purchasing people are also evolving: Purchasing professionals need to have a stronger commercial understanding of the business as a whole. They are much more rounded business people than they were in the past.

Measurement is another possibility. While sectors such as IT are assessed on areas including service delivery and maintenance for purchasing, reputation often comes down to cost - what is claimed and what is delivered.

"If you are going to measure yourself solely on new cost savings then it can only end in tears," says Guy Strafford, client services director at purchasing services provider buyingTeam. "If you say you are going to save £10 million a year there will come a year when you only save £5 million. What does this mean? Are you only working half as effectively? Of course not, it has just got harder to make the incremental saving."

Thinking aloud

Procurement has been working hard to raise its profile as a profession and get more involved with the business at all levels. But is it having any effect on what others think about purchasers? Helen Morrissey finds out

"Purchasing needs to develop a broader narrative of what it is doing," he adds. "You could be defending the savings you've already achieved, or are you keeping the business going?"

While cost savings can constitute a quick win with senior members, there are other attributes purchasing professionals can bring to the table, says Green.

"Colleagues need to be able to come to purchasing not just for cost but for improved turnaround times, new products and efficiencies. It will give procurement the chance to brush off old stereotypes and create a world-class profession."

For Paul Bateman, group operations director at high street retailer Boots, it is hard to get away from the bottom line.

"It's not necessarily a bad thing to measure purchasing via cost," he says. "If you are trying to measure success then the tendency is to reduce performance measures to numbers. When you are trying to demonstrate benefit to senior management it really helps if this benefit shows up as a major contribution to profit."

"However, there are other factors to consider such as quality and fitness for use. There's no point buying plastic bags from a supplier who is 10 per cent cheaper than everyone else if you have to throw half of them away because they are defective."

Delivering a service

The purchasing function at Boots has been centralised since 2001. Prior to this purchasing was carried out by individual departments, that were initially resistant to change.

"We had to conduct a top-down, bottom-up publicity campaign when we decided to centralise purchasing," Bateman explains. "We made the savings expected from the new model very visible to senior management while also emphasising the benefits to those ceding control of their purchasing responsibilities. Initially they resisted the move but we made sure they realised the benefits of having another department do that work for them. It helped us to not only approach from a price basis but also from a service delivery aspect as we were taking the time to build understanding of user needs."

"The transition took time, maybe two years, but it's moved on dramatically as purchasing is seen as the place to go to get real savings. It's been a great success."

Bateman cites the importance of having a boardroom sponsor willing to help publicise the importance of purchasing if its image is to be improved.

"An executive sponsor is crucial as purchasing has to make its case very strongly if it is to evolve," he says. "You will always encounter forces pushing in the opposite direction so you need to be strong."

While this approach paid dividends for Boots, there is plenty of evidence to suggest that other companies are not so good at getting their point across.

"There's an education process here," says Strafford. "It's all too easy for us to make reasons as to why we can't do things and get frustrated rather than taking on the challenge of communicating with the board and let them know how purchasing adds value to the business. The board isn't just driven by savings, they are looking at all the long-term issues around building a business and you've got to articulate that what you do can help them meet their objectives."

Guy Allen, director sourcing and supply services at Fujitsu Services, agrees that in the past purchasing has been too timid to market itself to the board and should take a bolder approach.

"The paper clip mentality still exists but is disappearing slowly. I take the view that every penny the company spends beyond salary is in purchasing's remit. Purchasing is seen as not being assertive enough. We need to show we are a valuable asset and in the past purchasing has not always stepped up to that challenge."

It's about dealing efficiently with all projects and all the parties involved, no matter the size or what you're buying.

"Having an experienced procurement professional on board can make-or-break any procurement exercise, from paper clips to hospital building," says lawyer David Allen Green, who practises in public sector and IT/telecoms work at law firm Taylor Wessing. "They are the ones who can translate the policy and administrative goals of internal clients into realistic and cost-effective purchases in the marketplace."

Thinking aloud

Procurement has been working hard to raise its profile as a profession and get more involved with the business at all levels. But is it having any effect on what others think about purchasers? Helen Morrissey finds out

Taking a look inside

While purchasers pride themselves on implementing great processes and generating efficiencies with suppliers and external contacts, relationships with colleagues and internal clients can fall somewhat short of best practice.

"You need to go on a charm offensive with users to ensure you understand what they need from the product or service you are buying," says Bateman. "Pushing your processes on others without talking to them will get you off on the wrong foot immediately, especially in the early days. Communication is the all-important factor."

Increased communication between departments is making an impact at Whitbread, where the implementation of an integrated procurement-to-pay system means buyers now work more closely with the finance department. Finance now has a better understanding of how procurement works while procurement has a better understanding of finance, says Jon Scott, financial controller at Whitbread Hotels and Restaurants. This has resulted in a more cost-effective end to end process as procurement's increased understanding of business requirements enables them to negotiate contracts better suited to our needs.

However, this needn't mean that the purchaser should aim for harmony at all costs. Creative tensions between departments are an integral part of business, according to Strafford.

"If purchasers don't understand their internal customers then they can't build decent relationships with them," he says. "However, you also have to accept that sometimes you may have fundamentally different objectives to the marketing or IT person in front of you. There will always be tension if they are looking for any reason to retain the incumbent and you have the objective of ensuring best value. You have to provide an explanation for your involvement framed in terms they understand. Otherwise you will have a lot of rows."

Many issues need to be addressed if purchasers are to become truly valued. In addition to developing lasting relationships with key suppliers much work needs to be done to establish closer ties with colleagues and senior management.

If senior management can be encouraged to develop the procurement role it could be of real benefit to the organisations themselves, argues David Allen Green.

"During my time as a legal adviser to the Office of Government Commerce, my regard for experienced procurement professionals got higher and higher," he says.

"There would be real progress in efficiency and service delivery across government if experienced procurement professionals were given a greater role in projects and in departments generally."

In *The Apprentice*, Sir Alan Sugar repeatedly reminded the candidates of the importance of good buying. With this type of high profile, together with recognition from the FT, things look good. But the question remains how to press home this advantage.

How Boots centralised its purchasing function

- **Put yourself in the shoes of the person you want to influence** Trying to understand what users need is an important first step.
- **Make management aware of the potential cost savings** This can take a lot of effort, says Bateman. Companies need to measure how much they spend on purchasing but this can be difficult as the numbers are dispersed across several budgets. Getting finance to pull out these figures is important. A central purchasing department can save £20 million but that is still in the operating departments' budgets so if they spend it on something else then the company sees no benefit. You need to set up a tracking system to ensure you know what is being spent and where.
- **Go on a charm offensive with users to ensure you are meeting their needs** Communication is vital.
- **Keep innovating** Boots is currently adapting Six Sigma - a management practice initially developed by the automotive industry to improve quality. The process gives you a really clear idea of what your customer really needs, this could end up being very different to what they say they want, says Bateman. You can then develop an approach that enables you to meet that need on a consistent basis. It helps us to buy things that are really fit for purpose and there is a great deal of learning you can take from that.

Taken from SM magazine article Features, 6 July 2006