

What's on the cards?

Which issues will be the focus for procurement professionals this year? Rebecca Ellinor asks some leading buyers for their forecasts

I can't see into the future, but four days into the new year, I can reveal some of your priorities for the next 12 months.

After consulting with buyers from a number of organisations in both the public and private sector, some common threads appear. Three areas that will occupy much of your time in 2007 are skills development, sustainable procurement and low-cost country sourcing (LCCS).

For the public sector, the issue of shared services is also of increasing importance. A few of those surveyed said that, with the groundwork for deals already done, they plan to turn their attention to contract compliance. And many expressed a hope that procurement will occupy a more strategic role in the coming year.

Worldwide view

Globalisation in all its forms will continue to be important in 2007. "My agenda for the year will have two central themes - globalisation and organisational development," says Meryl Bushell, chief procurement officer at BT Group. "We will focus on obtaining robust and accurate data, having the right people and executing the right deals, all on a global basis."

While globalisation is something firms are aware of, many admit they are not yet doing anything about it. It will be the central theme for CIPS president Gerry Walsh, who takes up the newly created role of CPO at Associated British Foods this month.

"For me the challenges will be the inexorable push towards globalisation and the increasingly competitive marketplace this creates. Equally important is to see this as an opportunity for our organisations and our profession," he says.

Steve Wills, head of procurement at Axa UK, agrees procurement must be "prepared to develop and adapt to take full advantage of the opportunities that come its way, especially its view on global markets".

Increased globalisation and worldwide competition mean that buyers are continually looking for new, better and cheaper markets to move to. So we start 2007 as we ended 2005 and began 2006: with an ongoing focus on LCCS.

"Low-cost country sourcing will continue to be a hot topic this year," says Adam Smith, senior buyer at heating elements manufacturer Ceramaspeed. "China has been the place to go for a few years now but I believe a few others are getting their houses in order, such as Vietnam and Thailand. And the continued expansion of the EU brings more of Eastern Europe into play."

Nic Porter, head of procurement at 4imprint, agrees: "As savings dwindle in China we will be sourcing from new low-cost economies."

Gill Thorpe is a director of the British Promotional Merchandise Association and director of merchandise supplier The Sourcing Team. She believes China is aware of this shift and has responded accordingly: "The Far East is competing for business which would usually only interest Europe or even UK suppliers. The Chinese are

now offering flexibility and the ability to meet short lead-times. Full product delivery time can be as little as four weeks.

"This is great news for customers but not for our European suppliers, that can't compete on price because of labour costs."

Peter Easterby, European sourcing specialist for transportation systems at Honeywell, will be making LCCS a top priority to help him reduce overall costs and compete more aggressively at home.

"It involves consolidating suppliers, building commercial contracts and long-term agreements (LTAs), as well as protecting us from some of the risks associated with it," he says.

Others have misgivings about LCCS and are asking questions about its sustainability.

Hedley Rees, managing director at pharmaceutical supply chain management firm Pharmaflow, says with the decline of UK manufacturing now almost irreversible, UK suppliers have reduced their supply market options and, consequently, their leverage.

"Factor that in with wage inflation in low-cost countries, increased demand from local markets driving price increases, increasingly complex logistics, supply networks and communications. I predict a rethink on the merits of offshore sourcing."

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Outsourcing

Another issue this year will be whether procurement oversees the outsourcing of itself. Many believe this will be a consideration over the next 12 months.

"As pressures mount on heads of procurement and chief executives to contribute more to profitability, there will be increasing discussions around the pros and cons of outsourcing the procurement function to the experts," says Valentine Agwu, a consultant at Capgemini. "We may see some chief executives take the lead - and risk - in outsourcing their procurement functions to a service provider."

Sue Fleming, a project buyer at the Foreign and Commonwealth Office Services: Supply Solutions (Procurement), says: "The current lemming-like attitude is that procurement can be outsourced, but we must take care not to outsource the core - the soul of what an organisation does best.

"Although this will differ from business to business, there needs to be a clear distinction of what can and cannot be outsourced."

She says questions need to be asked about whether an organisation can trust someone else to care enough about their business to do it justice. How will it affect other parts of their supply chain, which are dependent on procuring the right things at the right time, to the right quality and price? The potential risks of something going wrong also need to be taken into account she says.

Sustainability & CSR

While a recent Supply Management poll shows many buyers do not have a good understanding of the term "sustainable procurement", it will still be an important subject this year. So understanding what it is and means for your business will be a priority for buyers in 2007.

Carly Wedderburn, procurement officer for corporate property and procurement at Torbay Council, expects this year will lead to an increased focus on, and understanding of, corporate social responsibility (CSR) and sustainability.

"We will need to work out how we embrace the whole sustainability agenda," adds Walsh.

Neil Jarrett is chief executive of the Collaborative Working Centre, the consultancy arm of Constructing Excellence, which is a non-profit making organisation that is helping to reform the construction industry. He also believes sustainability will receive a greater focus.

"Procurement processes and criteria will improve and take greater account of matters such as sustainability as more clients move away from price competition to improve value for money and whole-life costing appraisal," he says.

4imprint's Porter says his company will make a more concerted move toward sourcing products sustainably, "thus reducing the environmental and social impact involved in manufacturing products".

Referring to new regulations contained within the Road Safety Act 2006 and the Low Emissions Zone proposed for London, Paul Murphy, procurement manager for the

Independent Police Complaints Commission, echoes the importance of sustainable purchasing.

"I would link this to fleet considerations around vehicle choice, carbon emissions and new regulations coming into force affecting purchases of vehicles, including vans," he says.

The bigger picture

Others are looking at the impact of these issues on an even wider scale.

Chris De Luca, chief procurement officer for BP's refining and marketing division, says: "Global warming, increased security and the price of transportation, including fuel, means we'll have to rethink our logistics and supply chains. There aren't enough planes, ships or trucks, to move everything we want and the emissions from all that transportation is a threat to the planet."

Sustainability and CSR will be equally important abroad as well as at home. Bola Afolabi, senior adviser of supply chain management at Shell in Nigeria, says it will be a focus for him in 2007.

It will mean investing in local people and infrastructure, putting back into the environment and green purchasing. It also means pursuing local market development by supporting Nigerian-based vendors, developing incentive schemes to make them grow, and increasing the use of local products and services.

Roger Jones, head of strategic procurement at Ealing Council, sees tackling sustainability as an opportunity for purchasers.

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"The Gershon efficiency programme provided a great opportunity for procurement to show it can deliver on the savings agenda. The increased importance of sustainability can provide a similar opportunity on a much wider scale.

"It is the same as in the private sector - how can procurement help our organisations achieve their goals? This is the next rung on the ladder for procurement to demonstrate its importance to any organisation."

Building our profile

Many hope the role of procurement will be raised in 2007, but much depends on how purchasers behave - whether they can successfully promote their function and align themselves with wider business priorities.

Craig Lardner, group manager of supply management at BOC Group, says "how to ensure the procurement strategy is in perfect alignment with the corporations strategy and measuring its progress to the promise" should be a specific focus this year. Others agree. Jones from Ealing adds: "I'm hoping 2007 will see procurement show a major impact on achieving the wider economic, social and environmental goals of an organisation.

"Procurement departments can show they have a much greater role than just making cost savings - which is now expected by chief executives."

Jones says on top of achieving increased cash savings, Ealing Council's purchasing department is working to tackle areas such as local employment, social inclusion, and environmental impact through its procurement approach.

Wedderburn from Torbay Council makes a similar observation.

"We are being pulled into more and more things at a strategic level. I think there will be much more input from procurement on areas such as business process re-engineering. More departments will ask for our help on the procurement element to help tighten up processes and also gain greater efficiencies - not just cashable savings."

4imprint's Porter and Jarrett at the Collaborative Working Centre also hope procurement is successful in raising its profile this year. Porter hopes 2007 is the year procurement is recognised as an entrepreneurial department - one that identifies opportunities and project manages them through to completion to make savings or service improvements. He hopes this will lead to more board level recognition as a reflection of procurement's increased importance.

Jarrett says he also expects to see an extension of the role of procurement. "It is no longer just buying, it is now about managing the relationships, process and cost improvement over the period of the contract."

Stephen Caddell, head of supply chain management at Atkins Asset Management, says purchasing should be used not only to add value but contribute to a business's "real competitive advantage". While Wills from Axa predicts procurement's "star will continue to rise within organisations". However, for this to happen, procurement must demonstrate its worth.

"It's not so much about trying to get the business to use procurement, it's more about getting the business to want to use it," says Tony Morris, former commercial adviser at Shell International Exploration and Production in the Netherlands.

But much of this is dependent on having the right people with the right skills in place. Many agree that training and education will be key issues.

Skills development

"Salaries are continuing to rise. Demand for procurement professionals continues to grow at pace. If you're good, you'll get paid well," says De Luca.

But for others it's a case of investing in the people they already have. "It's about attracting, developing and retaining talented staff.

Looking at what skills are in short supply and how to address this," says Lardner.

Larry Beard, director of purchasing at Severn Trent Water, says he will be looking at high-performing teams - what this means and how to get there as soon as possible. What can be done to move purchasing "up the credibility ladder".

BT's Bushell says developing staff will be a focus for her too: "We will dedicate a significant amount of time and energy to ensuring we have the right blend of people, who possess the right skill sets to deliver the desired levels of perceived and actual value."

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Some have high hopes for procurement in 2007 and want to push the profession forward.

Lardner says it's about elevating the CPO talent pool to ensure they are "board-room credible" and Guy Allen, director of sourcing and supply services at Fujitsu, has a hopeful forecast: "2007 is the year when procurement moves from being strategy supporters to strategy instigators. We stop being at the whim of other's great ideas, leaping to support them, and start driving business change as leaders ourselves, identifying issues taking control of costs and leading from the front."

You have 361 days left.

*Taken from Supply
Management magazine,
Archived article, Features,
4 January 2007*

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