

The benefits of value frameworks in supply chain management

As procurement functions become more devolved Purchasing and Supply Management Professionals are under pressure to build new relationships and communication links.

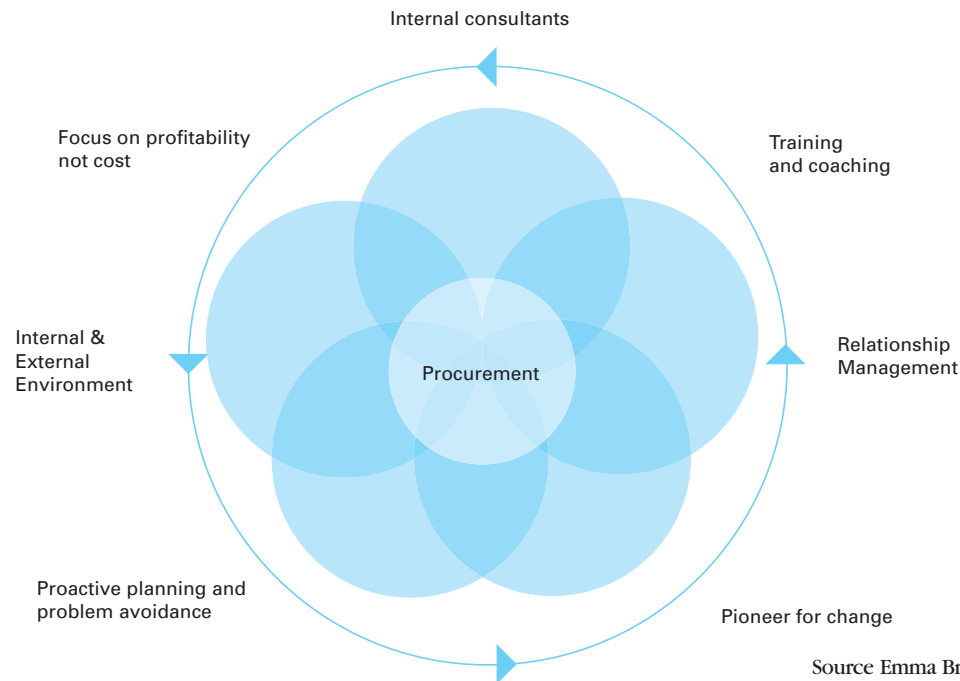
Through increased technology, the automation of transactional activities has enabled procurement resources to shift to more strategic sourcing. Purchasing and Supply Management (P&SM) professionals are working more with cross functional teams and as a result are developing a new set of skills, primarily around people management. People are integral to business operation, talent and knowledge are the principal factors for businesses to thrive and survive. Gerard Chick, Head of Knowledge Management, CIPS explains that 'Money, land and buildings don't have feelings, or contacts or networks or know-how or rights, people do and those facts have consequences on how businesses operate.'

Cross functional teams are by no means a new concept, however the role we play within these teams is. Procurement is working in conjunction with business partners who still retain ownership of spend and supplier relationships; the role of procurement now is to provide guidance and a robust framework for them to operate in. Self service through e-sourcing and e-procurement systems has provided a veiled policing of procedures, guiding compliance and promoting the preservation of ownership. This structure has allowed procurement to lead a wider audience; capturing and influencing a broader spectrum of spend.

Procurements' structure has become more transparent. Leading organisations are developing purchasing professionals as internal consultants within business divisions whilst maintaining a central reporting line. This internal consultancy role is fundamentally about raising awareness of the departments' skill sets and promoting sound working practises whilst allowing opportunities for individuals to be innovative and creative.

P&SM professionals are finely tuning their relationship management skills both internally and externally with suppliers, stakeholders and the customer. Internally relationships have been strengthened through a PR exercise to promote the value of using procurement, especially with previously uncharted territories such as sales and marketing departments, and externally through supplier partnerships and strategic alliances.

CIPS in collaboration with IPA and ISBA have created the Value Framework Initiative and produced a white paper *Magic and Logic* which identifies how marketing, procurement and marketing agencies can work together to achieve optimum results. The two basic elements are *magic*, the creative part that agencies produce, the ideas that develop brands and grow business; and the *logic*, the project management, financials and procurement of third party services element. Procurement and Marketing have had to confront their prejudices, recognise each others' differing skill sets and through collaborative working they can crack the dichotomy between budgets and the creative process. Neither departments in isolation can achieve optimum results. Historical opinions have been formed from both parties mainly due to a lack of understanding of the departments and a resentment of the intrusion of procurement. Procurement have previously tried



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to apply inappropriate manufacturing techniques to services and placed too much emphasis on negotiation and price.

Successful P&SM professionals have developed a better understanding of what they are buying and the relationships with agencies and so are being involved from the beginning and not just at the end to negotiate price.

Specific areas that procurement can add value to the process are by:

- Adding **discipline** to the process by helping marketing clearly define their requirements, add some consistency and standardisation to contracts and reporting.
- Helping marketing to **keep control** of the agency (supplier) by applying a rational process to the relationship management process.
- Ensuring **consistency, rigor and objectivity** in agency dealings.
- Ensuring **fair treatment** through prompt payment, performance bonuses and through pitching of new projects.
- **Measuring effectiveness** through metrics, KPIs, benchmarking etc.

Through researching the internal and external environment procurement practitioners are more in touch with market trends and imminent and emerging risks throughout the supply chain and are often the pioneers for change. Risk management is high on the agenda and purchasing professionals have to be more creative with their sourcing strategies and aware of the global environment in which we operate. There are two key skills here; we are now more proactive in our planning and problem avoidance techniques and experts at influencing our business partners to adopt these new approaches.

This shift from cost savings to profitability, quality and growth has put procurement in the spotlight. With a higher focus at senior management level P&SM professionals are in a position to directly influence corporate strategy and contribute to overall business planning.

For further information on Magic and Logic go to www.magicandlogic.co.uk

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