Procurement Transformation: Industry Perspectives

Part 3—People, Processes, Technologies
Procurement Transformation is a serious investment. The up-front costs of a holistic initiative are often a hard-sell. Without dependable budgets or executive sponsorship, Procurement’s usual solution is to compromise. Instead of embarking on a comprehensive transformation, they look to make quick-win improvements in their weakest areas.

They might implement a new technology without tailoring it to their team, or welcome new hires without refining their outdated processes. The kindest thing you can say about this strategy is that it’s (slightly) preferable to stagnation.

World-class Procurement departments are complex systems. They rely on well-appointed teams who conduct efficient processes and leverage best-fit technologies. Successful, long-term transformations—from the incremental to the sweeping—treat Procurement’s people, processes, and technologies as interdependent. Not all transformations are massive undertakings, but truly effective initiatives account for the interlinked nature of Procurement’s people, processes, and technologies.

That’s why Naseem Malik, Kelly Barner, and Kristian O’Meara join us for the third installment of Procurement Transformation: Industry Perspectives. Exploring Procurement’s people, processes, and technologies respectively, they reveal the necessary complexity of an effective Procurement transformation.
What’s the most important tool for constructing an effective Procurement department? Is it a spend analytics platform that turns historical purchasing into realized savings? Is it an eSourcing system that automates and expedites Procurement’s myriad processes? Is it some artificially intelligent, cognitive, analytical, big data-driven, resource that’s still in the works? No. Even in the days of consistent innovation and endless forecasting, people are still what separates world-class Procurement departments from the pack.

As more companies invest in maturing their Procurement departments, more Procurement departments are tasked with building teams capable of driving long-term strategic growth. Assembling a team and assembling the right team, however, are two very different things. Management faces an ever-widening talent gap. Organizations know they need to make new hires. They even have an idea of what they need from these hires, but few are successful in bringing these hires aboard. Even fewer succeed in keeping them around. It’s become increasingly difficult for even true business leaders to identify the appropriate Procurement talent, bring them aboard at the appropriate pace, and enable them to develop the appropriate skills.

The so-called talent gap has nothing to do with a lack of candidates. In fact, Procurement’s situation is so intriguing and so frustrating precisely because there’s so many qualified, tech-savvy, and collaborative candidates out there. An appropriate mix of hard and soft skills, however, is rarely easy to come by. Procurement’s new, cross-functional, utterly essential duties mean that the mold for a leading Procurement professional has changed. It’s changing at this very moment.

The analytical skills and supply chain know-how that provided for decades of cost savings and tactical victories no longer suffice. Procurement’s internal and external importance call for leadership and negotiation skills that would look foreign to practitioners of the past. These are what will define Procurement in the decades ahead.

In today’s supply management sphere, very few topics command as much attention – or provoke as much anxiety – as this talent gap. Procurement Transformation is among them. Companies who view the two topics as distinct, however, are only making things more challenging for themselves. Whatever their maturity level, Procurement departments would do well to focus their transformative efforts on talent. This incremental evolution will provide the means for broader changes moving forward.

51% of Procurement leaders believe their teams do not have sufficient capabilities to deliver on their procurement strategy.
In the past, Procurement could easily trace its talent concerns back to a lack of visibility. Unfamiliar to most young professionals, the department occupied an obscure, niche position. Things have changed.

Procurement has generally graduated from the backroom to the front office. As more industry leaders invest in their Supply Management teams and more colleges and universities offer degree programs, the department looks more familiar (and more attractive) to emerging talent than ever before.

In theory, this should make recruiting efforts easier. Unfortunately for small and mid-sized organizations, they aren’t the only ones on the hunt for young Procurement professionals.

In such a crowded, candidate-driven marketplace, aggression is increasingly the name of the game for everyone. Following the blue chip players’ lead doesn’t have to mean offering jobs to an entire graduating class. Nor should it mean waiting around to get acquired by one of these organizations. Emerging companies can mimic the confidence, decisiveness, and foresight of their more formidable competitors without breaking the bank.

Procurement’s new visibility also means it’s easier than ever for candidates to learn about prospective employers. A leading CPO knows that building Procurement’s brand and disseminating it widely is a full-time job. Candidates already know why they should consider working for a household name.

Without the benefit of instant name recognition, practitioners from emerging companies need to work twice as hard to tell their story across social media and other platforms.

Don’t forget that a relationship with a candidate isn’t so different from any other relationship. You don’t want to come on too strong.

A long, drawn out hiring process certainly won’t do you any good, but empty promises and instantaneous offers will prove just as fruitless. Discerning candidates can smell desperation. Don’t scare them away in your attempts to woo them.
Just because you’ve managed to persuade a promising candidate to join your team doesn’t mean your work is done. A lot of organizations tend to forget this. While recruitment is understandably the more immediate concern, it’s important to continually emphasize retention throughout the life of a talent transformation.

As previously stated, Procurement and Supply Management’s leaders and innovators are highly aggressive. Aggressive enough that they’ll rarely hesitate to poach talent from their competitors. Promising challenge, compensation, and a slew of enticing incentives, they’ll continue to pursue candidates even after these candidates have accepted positions elsewhere.

Millennial professionals are sometimes labeled as disengaged or disloyal. In reality, they’re simply unlikely to display loyalty or engagement if they don’t observe these qualities in their employer. From day one, it’s important that each new hire not only feels welcome, but feels equipped to contribute to their organization’s growth.

Developing clear career paths, openly communicating expectations, and regularly providing feedback all remind new hires that their professional development matters. Annual performance reviews won’t cut it anymore. If a team member doesn’t know where they stand or how they can improve, they’re likely to seek that information elsewhere. Offer recognition in times of success and reassurance in times of failure to ensure new hires feel compelled to invest in maturing professionally.

If Procurement’s reputation among young professionals has suffered in the past it’s because many perceived the department’s duties as monotonous. Take care to introduce real challenges early and often. Rotational programs, for example, could provide the perfect opportunity to familiarize a new hire with the diverse workload and critical importance of today’s Procurement departments. The bottom line is that a procurement transformation sans a talent upgrade is much more an exception than the norm. It’s difficult to approach gaps in technology and processes without changing up the status quo within your team.
The Study of Friction

When we talk about Procurement Transformation, we typically focus on two areas:

1. The changes we need to make
2. Our vision for the department’s future

While these are important areas to consider, they neglect an equally critical component of the diagnostic process - a study of the friction between Procurement and the rest of the enterprise. When initiating a transformation, Procurement needs to focus on the current problems at hand, and nearly every organization can count internal friction among these problems. If Procurement fails to directly and immediately address this friction, transformation efforts have no chance of succeeding.

Procurement should study organizational friction the way a doctor studies pain. Pinpointing the location and cause of the discomfort can prove enlightening enough to keep an initiative alive.

Non-productive friction stops Procurement from doing our best work and prevents the enterprise from realizing the maximum value of our efforts.

*But not all friction is non-productive.*

Compliance and governance are important pieces of Procurement’s mandate. It’s well within our purview to introduce friction by pushing back against spend that is not in the company’s best interest.

With so many opportunities for friction – productive and non-productive – let’s consider the role it should (and shouldn’t) play in Procurement’s efforts to plan and initiate transformations.
Addressing Friction

THE SOURCING PROCESS

It’s easy to see why Procurement’s stakeholders might resist a strategic sourcing process for selecting suppliers and developing contracts. Many are used to purchasing and negotiating autonomously, and they resent the influence of another department. The strategic sourcing process has seen significant changes over the years, but its capacity for producing friction remains largely unchanged.

Non-productive Friction: Historically, the complaints about strategic sourcing have stemmed from the fact that it prioritizes low costs above all other objectives. Now, however, the goals and objectives of strategic sourcing have changed. For most mature procurement organizations – especially the ones actively pursuing transformation – the majority of addressable spend is already well-managed. The goals of transformed sourcing are likely to reflect more nuanced, value-driven business objectives. Achieving these will mean changing the very nature of the sourcing process. Procurement should watch closely for evidence of friction and adjust the standard process accordingly.

Productive friction: Procurement also faces pushback from those who consider sourcing too “cookie cutter” or “one-size-fits-all.” This friction does not indicate a problem with sourcing itself. Rather, it indicates frustration with standard requirements and processes. No one wants to do work for the sake of work, but standardization is important to increasing value and decreasing costs. Oftentimes, it’s necessary to slow down and consider all qualified options. So long as each step in the process brings us closer to our stated objectives, friction is a sign we are doing our job.

THE BUYING PROCESS

Advances in procurement technology have led to improvements in the buying process. While it does not completely mirror the user experience of B2C online shopping, it has progressed significantly and continues to do so. Still, friction remains. Procurement has to look beyond technology and get creative to address the remaining challenges.

Non-productive friction: If a buyer spends a long time figuring out where to buy something, who to buy it from, or which terms of service apply, Procurement has serious non-productive friction on its hands. Whether you’re employing an eProcurement suite, supplier punch-out catalogs, Amazon Business, or something else entirely, making buyers’ lives simpler is a foundational expectation of any transformative effort.

Spending money the right way benefits the entire company. Procurement should never allow our savings and spend management efforts to create the sort of friction that would deter smart spending.

Productive friction: When you take a whole organization of people and try to corral their buying habits into a consistent flow, you’re always going to go against someone’s preferences. Whenever possible, Procurement should allow flexibility in choice and process. We cannot waver, however, on the need for visibility. If that means standing up to friction from buyers who would rather work around eProcurement by using a purchasing card on a third-party site or engaging with suppliers directly, so be it.
RELATIONSHIPS

This is the million dollar question at the heart of Procurement Transformation: if Procurement makes significant changes to the way we work and measure our impact, will it alter our internal relationships and brand?

Non-productive friction: If there’s any doubt that Procurement’s priorities and interests are aligned with those of the enterprise, something is wrong. Whatever the problem, be it true misalignment or a simple misunderstanding, Procurement must identify the source and resolve it as quickly as possible. Without the necessary intervention, no transformation can produce the desired result.

Productive friction: There is a reason enterprises have more than one function. When you dedicate a diverse group of people to meeting an objective, the result should balance all enterprise-wide goals and satisfy all parties. It is Procurement’s job to ensure that all functions are exchanging their resources to produce the greatest value possible. Period. That often means taking the time to find alternate resources. Sometimes this ruffles a few feathers, but that, too, is part of Procurement’s job.

When Procurement sets out on a transformation project, it is easy to mistakenly address symptoms of friction instead of the friction itself. In these situations, change management efforts are focused on alleviating short-term discomfort rather than introducing substantive revisions. To truly transform Procurement, we need to take a closer look at friction. We need to study it and assess its impact on the groups and individuals with whom Procurement engages. We need to decide when that friction is productive and when it is not. Finally, we need to focus our attention on solving the real problems, addressing non-productive friction at its source, and communicating Procurement’s strategic value.
Separating Value from Noise

In many senses, Procurement is a unique business, designed to promote innovation, encourage collaboration, and manage long-term change across an entire organization. Procurement departments have slowly crafted a new corporate identity over the past decade, responding to a growing and evolving role within the company. This role has become increasingly dependent on technology, as expectations of managing a complex and interconnected supply chain have risen.

The Procurement professional is now not only tasked with conducting business with more departments, but also to separate the value from the noise in terms of selecting and managing technology. This environment has led to the need for a new skillset from Procurement professionals: the development of active listening skills to inform a new approach to technology assessment. Only by adopting these skills can digital transformation truly occur.

A quick glance at the Procurement and Supply Management blogosphere is a clear indication of the noise level inundating Procurement professionals.

If it’s not one solution setting unrealistic expectations and driving ineffective initiatives, it’s another. Robotic Process Automation, Machine Learning, Artificial Intelligence, the list goes on. Whatever the ‘solution,’ it can (and will) present serious problems for the underprepared and overzealous Procurement team. The last thing any organization needs is a team that charges ahead into a technology investment without the proper preparations and stakeholder alignment.

Fueled by visions of fully automated processes and totally foolproof decision making, a department may commit to chasing solutions without asking the necessary questions. A CPO may be so excited to stand at the forefront of their industry that they neglect to ask why they ought to, or how they should.

Too often, the appearance of a new technology is perceived as a “magic bullet” for the Procurement department’s problem du jour.
It’s hard to blame Procurement. Nobody wants to feel left out when the next big thing comes along.

Many Procurement teams have grown painfully familiar with that very feeling. Dismissed for years as a backroom function, Procurement has recently started to earn respect, admiration, and executive buy-in. Settling into this new, strategic role, the department is often eager to showcase its value by implementing a cutting-edge solution. It’s (understandably) hungry for an opportunity to take the next step in its move from tactical outsider to tech-savvy insider.

Adrenaline and excitement have their time and place. When initiatives come down to the wire, a small measure of these qualities can make a huge difference. They’re far less useful in the period leading up to the start of an initiative. When it comes to technology transformations, both tend to leave Procurement struggling with mismatched solutions and missed opportunity. Expecting renewed efficiency and transformed operations, they’re often met with just the opposite.

Procurement professionals would do well to remember Bill Gates’ oft-quoted thoughts on automation. Promoting caution and healthy skepticism, Gates remarked, “The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency” The second, he continued, “is that automation applied to an inefficient operation will magnify the inefficiency.”

Years ago, Gates effectively outlined the struggle facing many of today’s Procurement departments. They’re selecting tools before they’ve effectively assessed their operations. Some seem to believe the tool will handle this assessment for them. As a result, they’re letting inefficient operations and inaccurate data go unchecked. Even the most robust tool can’t recreate human reasoning enough to point these out and correct them. Implemented ineffectively, solutions have no choice but to offer ineffective services right back.

At their worst, they obscure serious issues and can lead unwitting Procurement teams to chaos. To paraphrase Gates, “Garbage in, garbage out.”
I don’t mean to suggest that Procurement should resist transforming its technologies altogether.

Innovation and insatiable curiosity are key if Procurement teams want their ongoing evolution to continue. Professionals should keep their eyes open to assess the technological landscape and identify value-adding solutions. More importantly, however, they should keep their ears open. Perhaps nothing is more essential to the success of a transformative initiative than active listening.

Active listening isn’t just for conversations. Even reading a blog on the hottest new Procurement solutions can function as an exercise in better engagement. Instead of scanning an article looking for eye-catching phrases – or validation for what you already believe – take a more critical approach. Wrestle with the facts as they’re presented, develop illuminating questions, and come prepared to engage with partners and providers in a constructive dialogue. Actively ‘listening’ to the way solutions are promoted can help identify right-fit tools and avoid expensive, time-consuming mistakes.

For Procurement to remain effective, for it to ‘transform’ into the optimized function businesses require, it has to transform the way it approaches technology. The ideal solution is not the most expensive. It’s not the one with the most robust menu of features. It’s not the one employed by the competition. It’s not the one that everyone is talking about. The ideal technological solution is the one that best aligns with all the pieces of Procurement that cannot be automated and that serves the overall goal of the business. At the end of the day Procurement is not a silo anymore.

Technology alone won’t drive Procurement’s future or facilitate its transformation. Procurement’s leaders know this. They know that prizing technology at the expense of people and processes is worse than putting the cart before the horse. They know it’s like leaving the horse in a ditch, telling the driver to go home, and waiting for the cart to drive itself. Finding the solution that will do your work takes work, and that’s one test you can’t ace by writing the answers on your arm before entering the classroom.
ABOUT SOURCE ONE, A CORCENTRIC COMPANY:

Source One Management Services is a premier procurement services provider and strategic sourcing consulting firm.

Since 1992, our team of spend management experts has supported best-in-class organizations in ensuring their procurement and sourcing capabilities are optimized and that they achieve the most value at the best possible price from their suppliers.

We serve as an expansion of client’s existing teams, saving them time and resources by applying our experience, tools, cross-industry best practices, and customized solutions.

In 2018, Source One joined Corcentric, LLC – a leading provider of Procurement, Accounts Payable Automation, and Billing Solutions. Together, Source One and Corcentric help companies optimize how they purchase, pay, and get paid.

ABOUT KRISTIAN O’MEARA OF JAGGAER:

Kristian O’Meara (‘KO’) serves as JAGGAER’s SVP of Global Value Engineering and joined the team in 2001. Mr. O’Meara is responsible for working with customer’s and prospective customer’s executive leadership teams to identify, create, and deliver sustained organization outcomes and value via JAGGAER’s enabling technologies and their value-added partner delivered solutions & services.

He brings 20+ years of procurement and supply chain experience helping procurement organizations drive financial results, achieve organizational excellence, manage risk and drive innovation. Prior to joining JAGGAER, he held various positions within the Supply Chain Solutions consulting practice for Ernst and Young/Cap Gemini.

He holds a Bachelor’s of Science in Business Administration from Ohio State University, Max Fisher College of Business and is an alumnus of Columbia Business Schools Executive Education Program.
ABOUT KELLY BARNER OF BUYERS MEETING POINT:

Kelly Barner is the Owner and Managing Director of Buyers Meeting Point. She has a unique perspective on procurement from the numerous roles she has held during her 15 years in procurement. Kelly worked for Ahold USA (parent company of grocery chains Stop & Shop, Hannaford, Giant Landover, and more) on their not for resale sourcing team, specializing in systems implementation and hired services category sourcing. She spent three years as the Associate Director of consulting services at Emptoris before it was acquired by IBM in 2011.

Since 2009 she has covered procurement news, events, publications, solutions, trends, and relevant economics at Buyers Meeting Point. Buyers Meeting Point provides the procurement industry with an events calendar, blog, active social media network, and podcast, all of which are trusted sources of information for practitioners and solution providers alike. Kelly has several regular columns throughout the industry, and in the summer of 2016 was appointed to become the Business Survey Chair for the ISM-New York Report on Business.


ABOUT NASEEM MALIK OF MRA GLOBAL SOURCING:

Naseem Malik has gone from sourcing goods to sourcing talent. After gaining 15 years’ experience as a procurement practitioner, Naseem turned his full attention to something he enjoys most – leveraging his network, connecting the dots and finding the best talent in the profession.

Spanning diverse industries, he has worked in numerous roles of increasing responsibility, including implementation of global supply strategies, product and process cost reductions, and supply chain improvements.

He was Director of Global Sourcing at both Terex Corporation and ACCO Brands, and his background includes working in management consulting for AT Kearney, as well a multiple start-up businesses. While working at major Fortune 500 companies, Naseem gained valuable insights on how to attract and retain top-notch talent. He is well versed in building and leading high-performing teams on a global basis.

As an active member of the Institute for Supply Management (ISM) and various Purchasing Councils, Naseem has authored articles for Inside Supply Management magazine and presented on topics relating to talent challenges in the global marketplace. As a result, this provides him a significant advantage in quickly and effectively sourcing and matching top talent with the best opportunities.

Naseem holds an MBA from the University of Illinois-Chicago and resides in Chicago with his family.