

Nudging continuous improvement leaders in the right direction with procurement transformations.

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People in the supply chain industry agree that procurement transformation can create and deliver great strategic advantage to organizations. However, it's been said that the most common type of transformation is usually focused on small continuous improvements – that is, quick-to-deploy, generalized and canned processes that deliver a very compartmentalized outcome, with limited efficiency gains.

Enterprises need to recognize that a long-term commitment is definitely needed if they want to achieve higher levels of operational performance and efficiency.

But how does one reach such distinguished levels?

Many Chief Procurement Officers, who are focused on continuous improvement, have their minds set on nothing else other than driving more savings and streamlining more processes to drive operating efficiencies. In other words, they simply focus on delivering more at a lesser cost, as fast as possible.

To reach higher levels of performance efficiency procurement leaders need to broaden their visionary strategies, widen the scope of their focus areas, and fully embrace a new dynamic behind procurement value propositions where more than just financial metrics are used to quantify the value of their procurement organizations. They need to acknowledge that their roles are evolving from checklist inspectors to business strategists.

There is an opportunity for these procurement authority figures to achieve industry stardom. They just need to take a fresh look at their

processes and strategies and move beyond the 'same old, same old' where the focus of their teams is usually limited to supply assurance and pricing negotiations. Procurement leaders looking to make a dent in the universe - the real strategists - need to go beyond the norm, as sometimes the best business outcomes won't necessarily offer the best value for money when measured by traditional metrics.

Let me be very clear; Procurement transformation must go beyond canned strategic sourcing processes that are only focused on certain key spend categories because in addition to all the key performance indicators (KPIs) commonly seen in spend analysis dashboards, there are other efficiency metrics that, when smartly identified, can deliver 10x, 100x, 1000x more value to an organization.

Procurement transformation is not a set of rules or guidelines, but an opportunity to look for ways to improve and deliver more value to the entire organization. It's pure art and require leaders to be creative, to be innovative, to have a vision and to know how to apply their procurement knowledge to benefit processes that are indirectly touched by procurement (i.e. Risk and Compliance management, Quality improvement, Marketing – Reputation & Branding, etc.)

Consider the case where developing a new commodity strategy can lead to new and improved sustainable best practices that affect the environmental, social and ethical perception of the organization, greatly benefiting its public image. All of these new dynamics collaborate to the main effort whose end game is to fully embrace the strategic potential of the procurement initiatives within organizations by aligning the focus of procurement with business strategies that can improve the competitive advantage of the organization in the market place.

A successful alignment requires that all procurement stakeholders understand the highest goals and priorities of the organization. But

there's also a need to let go off of the old concept in which numbers alone measure procurement efficiency.

It's important to value the opinions of many because a successful change will eventually mutate the mindset of the procurement organization, and at that point, procurement will no longer be seen just as a numbers game.

And here comes the biggest burden in the eyes of many who resist to start a transformation process - How to quantify values that are subjective? That can be a very hard question to address, as driving visibility to key important areas that not necessarily are represented by numbers will require not only business skills, but also patience and time.

And how to decide which strategy to use when trying to engage with this audience and make them see procurement transformation as something attainable? One answer could be to focus on innovation. By decoupling the sourcing activities from the innovative ideas, it becomes possible to better manage non-numeric value contributions and associate them with progress.

Advances in technology, new customer demands, and changes in market conditions are some of the factors changing the old practices behind procurement processes. Today, more than ever, the leadership of organizations needs to be agile and be willing to adapt, if they want to stay in business.

Enter the digital procurement transformation.

Within the last few years, there has been an unparalleled growth of digital business strategies supporting procurement transformation.

Advances in digital tools capable of delivering Artificial Intelligence, Big Data Management, and Predictive Analytics capabilities can augment procurement. There are many powerful technologies available to discover novel insights

and establish a digital foundation that can be used to support procurement's business strategies.

Tracking suppliers and spend based on key performance indicators is a thing of the past. Supplier Relationship/Performance Management and Automated Spend Analysis are just a few of the areas that now benefit from powerful insights that can only be leveraged because data analysis capabilities have reached levels never imagined before. All these insights generate intelligence that can be easily disseminated to key decision makers so they can go on and make informed sourcing, buying, and other determinations.

Having a leader feel ready and energized to adopt any kind of transformation is a great start, but in procurement, that's rarely enough. Organizations will have to play the long game to ensure they create enough time to deliver on all that valuable planning. It's not uncommon for organizations to have to wait many years until the seeds of those strategic values bloom into powerful stories of procurement transformation.

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