

# PROCUREMENT RELEVANCE: YOUR TEAM

*WHERE TO EVEN START WHEN THE PEOPLE YOU NEED TO HIRE DO NOT UNDERSTAND THE FUNCTION AS YOU DO*

## Executive Summary

When evaluating the maturity and potential of your company's or your department's procurement function, a simple shortcut to the answer is to look at your people. How much do you trust him? How often do you see them? Are they understood by the rest of the business?

Let's be realistic. Procurement functions don't always comprise the top talent in the company. Part of this is because procurement has its roots as an administrative function with the constraint remit as discussed in another post. Which high potential career hungry person would choose a position in procurement? If other functions such as sales, marketing or finance have a more central role in value delivery for their organization.

The opportunity in procurement exists because in many companies, procurement is not optimized and there are a number of reasons for this one.

- Procurement comes from an administrative background and often lacks the remit to take a strategic or proactive approach.
- Procurement therefore doesn't have to write cross functional operating model and sometimes adopts unhelpful mindsets.
- This results in an underinvestment in people and tools, creating a vicious cycle of underperformance and under investment.
- The end result is a spent base and. Team structure that is not optimized
  - not aggregated across locations and with inconsistent specifications,
  - and dated supply relationships, not understanding risk management and all of the components that contribute to an effective procurement management framework.

## Anatomy of a Functional procurement Team

An excellent procurement team is characterized by several key attributes and capabilities that enable them to effectively manage the procurement process and contribute to the success of an organization. Here are some factors that constitute an excellent procurement team:

1. **Strategic thinking:** A great procurement team possesses strategic thinking abilities, understanding how procurement aligns with the overall business goals and contributing to the development and execution of procurement strategies that drive value and competitive advantage, can extrapolate conclusions and formulate strategy from often disjointed datasets.
2. **Market knowledge:** They stay up to date with market trends, industry best practices, and supplier capabilities. Having a strong understanding of the market landscape enables them to identify opportunities, negotiate better deals, and make informed decisions.
3. **Analytical skills:** An excellent procurement team is skilled in data analysis and possesses the ability to leverage data and insights to drive decision-making, identify cost-saving opportunities, optimize supplier relationships, and mitigate risks, understand inventory strategy and logistics realities
4. **Supplier relationship management:** Building and nurturing strong relationships with suppliers is crucial. A top-notch procurement team understands the importance of collaboration, effective communication, and partnership development to establish mutually beneficial relationships that lead to better pricing, improved quality, and enhanced service levels.
5. **Negotiation expertise:** Strong negotiation skills are vital for a procurement team to secure favorable terms and pricing from suppliers. They should be able to analyze market dynamics, identify leverage

points, and negotiate contracts that meet the organization's needs while optimizing value and mitigating risks.

6. **Risk management:** Excellent procurement teams are adept at identifying and managing risks associated with the procurement process, such as supply chain disruptions, supplier reliability, compliance issues, and legal considerations. They develop robust risk mitigation strategies and contingency plans to minimize the impact of potential disruptions.
7. **Continuous improvement mindset:** They strive for continuous improvement by evaluating processes, seeking innovative solutions, and implementing best practices. This includes exploring new technologies, automation, and digital tools that can streamline procurement operations, enhance efficiency, and drive cost savings.
8. **Understanding of cost structures beyond cost:** Total cost management strategy focuses on optimizing costs across all aspects of the business. It involves identifying cost drivers, implementing cost reduction initiatives, improving efficiency, and making informed decisions to maximize value. By adopting this approach, organizations can enhance profitability, achieve competitive advantage, and drive sustainable growth in a dynamic business environment. For instance, Kearney's chessboard matrix identifies 64 tactical cost management approaches, 63 of them beyond price focus.
9. **Cross-functional collaboration:** Procurement teams must collaborate effectively with other departments within the organization, such as finance, operations, legal, and supply chain. A collaborative approach fosters alignment, enables the procurement team to understand the needs of various stakeholders, and ensures procurement decisions are well-integrated into the broader organizational context.
10. **Ethical and sustainable practices:** In today's business landscape, ethical sourcing and sustainability are increasingly important. An excellent procurement team understands the significance of responsible

procurement practices, such as supplier diversity, social responsibility, environmental considerations, and ethical sourcing, and integrates them into their procurement strategies.

**11. Effective communication and stakeholder management:**

Communication skills are crucial for a procurement team to understand the needs of stakeholders, align expectations, and keep all parties informed throughout the procurement process. They should be able to articulate procurement strategies, report on progress, and address any concerns effectively.

## People: Building a Winning procurement Team

When evaluating the maturity and potential of your procurement function., a simple shortcut to the answer is to look at your people. How much do you trust them? How often do you see them? How often do you interact with them? How often do you mentor them? Are they well understood by the rest of the business? Are they liked by the rest of the business?

While some companies perform well here, the answers for most organizations, sadly, is: Not much.

The reality, unfortunately, is that procurement functions don't always comprise the top talent in the company. Part of this is because procurement has his roots as an administrative function with a constraint remit.

Which high potential, career hungry person would choose a position in procurement if other functions such as sales, marketing, public relations or finance are thought to be a more central role in value delivery For their organization?

The problem is compounded Because sometimes we don't know what type of people to hire in procurement, so we just end up hiring those with the word procurement on their resume. And this can reinforce the problem

I routinely rejected people who applied to my procurement team with fantastic procurement resumes, not because they are bad people, but because the skills are too Old School.

## The Chief Procurement Officer

Before I get into defining old school procurement skills, let's talk about who is needed at the head of the function. In this case. I am calling the person the CPO, but they could be called Procurement Director, Head of Procurement or even Procurement Manager, depending on the size of your company.

Actually the title CPO is a little misleading here because the "C" is generally associated with a board level position that procurement doesn't normally occupy

It has long been a topic of debate in procurement. Ask the weather to CPO should be on the board. But in my experience having representation from procurement on the board of Directors doesn't make much difference in terms of how effective the function can be. Why? Because a good CPO is someone with excellent stakeholder engagement skills. Someone who has built strong relationships with key people and who empathizes well with them, including all board members.

For certain companies, procurement is a board position. Particularly where procurement is so business critical such as automotive. For most organizations the procurement function can be important, but it's really not critical (although we like to think buying pens and paper is a critical business function). Either way, Procurement shouldn't get too worked up about it. If the CPO possesses the right skills, he or she will have access to every board member every day of the week anyway.

A key part of being able to function well in the role of Chief Procurement Officer is an ability to talk the language of the business. How many functional executives' eyes glaze over when the CPO starts talking about savings that no one recognizes, processes that no one wants, understands, or think they need. Or a supplier deal that sounds overly complicated.

Good CPO's - and there are many out there - understand the business priorities first and then make the link between what they want to talk about, and why the rest of the company should care in a language that everyone can understand.

Another essential capability is the ability to constructively challenge colleagues on the status quo. Have you ever seen your CPO battling with their peers on the nuances of a position? Were you impressed?

Some CPO struggle to challenge effectively. This is partly because they talk the wrong language. We could, but also because they lack the confidence and insight to do so. But challenge is what the CPU must do, because they need to be the ones in the organization's sparking and then driving change.

Finally, a CPO needs to be comfortable existing to make others more effective. It's not a secret that CPO's can sometimes find themselves in conflict with other functions and working in a silo. But procurement must help other functions meet their targets. And it needs to be relentless in its cross functional approach to do so. Some of the best CPO's I have had the pleasure of working with look for ways to get their function out of the way of the business to allow the business to do it themselves. That calls for a lot of humility and shared purpose. Allowing the business to do it themselves sounds contradictory to the purpose of procurement. But remember, your job is to make your stakeholders look as competent as possible. By providing options, solutions, strategies, and suggestions based on facts and data.

## Today's Old Procurement Skillsets

I mentioned Old Procurement Skillset. These are activities that one still finds in surprisingly many companies today.

Part of it is completing tasks like updating master data records by liaising with the business and suppliers and trying to ensure policies and procedures are followed by people who don't want to follow them.

As you can imagine this type of process policeman role doesn't really endear procurement people to their colleagues in other functions. Procurement processes are notoriously long winded and have a reputation for not being designed with the end user in mind. Most of these processes are created by what I would call "on demand" – creating numerous disjointed activities that over time end up being considered "that's how we do things around here" – but in fact have created unnecessary complexities, disconnects, and disjointedness – even questioning purpose and intent.

The second is that some procurement professionals and functions are not in control of their agenda or program of work. Instead, they are overwhelmed, trying to react to issues and requests being raised by the business and suppliers that come up at the last minute.

Since when did working in a reactive fashion and on mainly administrative tasks require highly talented people? Not being very liked and spending so much time on the back foot takes its toll such that many procurement people who spend their days doing this and that day in and day out are generally worn out and worn down.

Therefore, in many cases, they show little ambition to make their rules more fulfilling and valuable to the company. That is not to say these people are not in general hard working, because they often are. But they, and their procurement functions, are in a rut that is hard to get out of.



As with many things, the talent issue in procurement stems from a lack of understanding of what procurement can deliver and therefore the sort of people needed and the qualifications required. This creates a low bar and explains why you can end up with people in procurement roles who are behind their peers in, say, the engineering function or the sales function or the finance function, in which certain qualifications and standards are required.

Just look at the ratio of degree educated people in the procurement team compared to, say, finance. It's revealing. The people in these other functions are sometimes more capable and therefore exert considerable influence over their colleagues in procurement. often taking ownership of strategic tasks that overlap with procurement, such as liaising with suppliers on important topics and making commercial decisions, with procurement expected to fall into line.

Of course, there are many exceptions to this. There are plenty of highly educated and very effective people out there in procurement, who do incredible things for their company, believe me. I have come across many of them.

But I think there is a big opportunity to make this more common across more companies than it is today.

As already mentioned, what *does* sometime seem to be valued by companies in their procurement teams, is procurement experience. You just need to look at the number of procurement job adverts out there to make this a prerequisite. If you question what is meant by this, you'll often get a vague answer about it, meaning good process knowledge or similar.

Actually, I think it can in some cases betray a lack of understanding of what actual skills should be sought. A large part of procurement's role today is about ensuring that due process is followed, usually a complex sourcing or contracting process, complete with heavy forms to fill in

Another skill that some companies genuinely appeared to value today is the knowledge that a procurement professional has of categories and key suppliers - and even the day-to-day relationships they have with supplier counterparts. This is particularly interesting in my experience in consulting shows that my clients often want consultants to have massive amounts of supplier and market knowledge. However, this doesn't make a difference between success and failure employment, at least not always.

Finally, some companies prioritize good negotiation skills. But negotiation skills, as defined - as they often are in this context - by being able to navigate to theatrics of a series of negotiations with a supplier, and score a win by getting the lowest unit price, without taking into account other factors., are in fact grossly overrated. By being more data-driven and striving for longer term win-win deals with suppliers, it is possible to get far superior results without all the emotion and theatrics.

## Your Future Procurement Team – Tomorrow's Procurement Team

I've had the good fortune to work in organizations that allowed me to structure my team as I thought fit.

From this experience, I have summarized the list of four principles that any CPO should consider when putting his or her team together to ensure success from the starts. These principles depart from one of the traditional approaches we have just examined that some companies still follow.

They are:

- Define success and align incentives;
- Build a team of diverse skills ;
- Ensure the team is versatile;
- Focus on execution.

## Define Success and Align Incentives

In the procurement departments I have consulted to or managed, I ensured that people could clearly state how their personal objectives and incentives aligned to the broader objectives of the function in which they work.

Unfortunately, this is not true in most companies. Consider the sales function of any company. Most people will have personal sales targets that make a part of the overall company sales target. Delivery or Customer Services team often have clear customer satisfaction goals which cascade down to account directors and managers in those teams. And in most cases, product teams have market share and sales targets that are shared amongst their employees.

Everyone on the team is working to the same goal - and individuals know how their role contributes.

Such clear objectives allow effective incentivization, whether financial or otherwise, and enables / encourages performance at the highest level. There is no reason why procurement should be exempt from this. But in most companies, it seems to be.

A fundamental part of building an effective procurement team is firstly to to define the objectives of the procurement function clearly, how success against that is going to be measured, and then get buy in from peers, stakeholders, management, and finance. This last step is critical.

Some procurement functions will say they have a target but, ask others outside of procurement who should know what the target is, they invariably say that they don't.

The targets will differ by business, but the common objective will be savings. Another could be supplier performance or perhaps supply chain risk or some combination. The point is to define the objective.

Defining success metrics must then follow. For example, if savings is the overriding objective, how are they going to be measured? Do OpEx and CapEx savings have the same value in the business?

Once this is done ensure that the targets do not conflict with other functions targets and, even better, enlist their support and help you get to reach yours.

Taking the time to get clarity on objectives and success measures, and socializing these then allow CPOs to break up and cascade their targets to teams and individuals within procurement, also providing options on incentivization.

This will help you get the most from your people. It also ensures people in the procurement team can work harmoniously with people in other teams since targets are aligned.

## Build a team of diverse skills.

I find it very difficult to describe the ideal procurement professional. So it's not what I'm going to do.

In today's environment, a procurement function needs to have a broad skill set at its disposal. And this starts with analytical and commercial skills.

**Analytical skills** are more than being good with Excel, or being able to program formulae, and being good at arithmetic. Although all that certainly helps.

A high-performance procurement team needs people with an ability to absorb and leverage insight to create actions and spark interest. and give a feel for opportunities. Being able to compare and assess supplier proposals, unpick them, and spot the right elements that make it a good or a bad one.

Some people spend most of their day doing analytics that never result in anything actionable. Unless there is an actual action, the analysis is a waste of time.

**Commercial skills** on the other hand link to an instinct to where there is more in a deal, to have a good feel for elements that will improve it or make it less risky, and playing the right timing for specific asks - not too early, not too late - making suppliers believe the ask.

Note that this is different to how I define traditional negotiation skills earlier in the chapter - which was more about being poker faced and then exploding in a supplier discussion for maximum effect.

To complement such impressive analytical and commercial skills in the procurement function, however, also requires that a team possesses individuals with excellent people and stakeholder management skills.

Procurement is as much about driving change than anything else, and it doesn't matter if your expert analysis shows a clear opportunity. Unless you have people who can bring the rest of the business along on the journey, the journey will not happen. It's surprising how a compelling analysis can be stopped in its tracks because people upon whom procurement relies to make the change happen either mistrust the motive of the proposed change or harbor concerns about potential consequences.

That obviously leads to the next question. **What makes a good stakeholder manager?** Well, firstly, these people require empathy and understand the importance of getting others to trust them. As I said before, they're able to speak to others in their language, and by that I mean corporate functional language, so that they can buy into the change and journey.

You need people who take the time to plan and run status or update meetings with their internal customers, and who also take the time to build informal relationships with key stakeholders.

Of course, there is a need for administrative work in procurement, but this needs to be kept away from those with advanced analytical and commercial skills and the highly developed soft skills that I have just described,

Segregating the team like this ensures that the top talent in procurement can focus on the task of bringing value to the organization unencumbered by administrative tasks. This is vital because it is these tasks that can often feel like the most urgent, even if they are not important.

So unless there are clear lines drawn, the whole team can be dragged into them.

## Ensure the team is versatile.

Traditionally, people in procurement have tended to have quite fixed roles. Even those resource is who wouldn't be classed as strategic and do fewer administrative tasks. For example, there might be a category manager who looks after IT spend and has relationships with the IT stakeholders, and then there is a category manager who focuses on marketing and only works with the marketing team. One key drawback to this is that it does not reflect the huge peaks and throbs of work that most businesses experience in procurement activity caused by large projects or ever-changing priorities.

A Canadian bank I worked with recently embarked upon a significant upgrading of its IT infrastructure to better service its customers and introduce digital tools. This added huge a huge strain to the IT category manager because of the bank's very rigid procurement team structure. They didn't pull in other category managers from the wider procurement team to help. That was partly because those other ones didn't view it as their role.

Even when some of those people were in busy, global events like COVID-19 amplified this need to be versatile, as business priorities can change in an instant. During such times, the versatile teams will win.

When? I put together my procurement department so I always ensured that there was a natural pool of project management in procurement that can and are willing to go where the need is greatest. And this is word.

Analytical, commercial and soft skills are so valuable because they are transferable across any type spent and any set of stakeholders. As an example.

A large Company I recently work worked with is close to perfecting this model. They have two dozen people in the procurement team, and while the most senior of those procurement people are affiliated to categories,



mainly from an accountability perspective, it's only a loose affiliation. The rest of the team goes where the priority is and it works brilliantly.

The priorities are addressed and there is a variation for the team.

One of the arguments sometimes given against this approach is that people who work across different categories can't possibly hold category specific knowledge for each one.

However, in my experience, category specific knowledge is not in general near the top of the list of value contributions procurement can make to resourcing projects. Most of the knowledge already resides with the stakeholders and suppliers and where there are gaps, it does not take long or cost much to speak to a genuine expert who can be external and get what you need from them.

For large spend areas, in which there will be a guarantee of constant procurement involvement, having someone with specialist market knowledge in the procurement team can work.

As long as that person is deployed wisely.

That means making sure they spend most of their time imparting their knowledge to others doing the project work. That is different to being busy themselves with project work with no time to help others by imparting their knowledge.

This versatile approach is in general more appealing to the type of people who have a desired profile for procurement that I've talked about. These are typically people with a thirst for new challenges, people who are intellectually curious and who enjoy working with different stakeholders. It's therefore also a key part of keeping your best people challenged and motivated. More about that a little later.

## Focus on execution.

Finally, I insist that all procurement teams I manage are relentlessly focus on high quality execution. Most procurement functions have defined processes albeit not always accessible. (or known) -and sometimes, many versions of the truth.

However, how many procurement people really execute those processes well? Or even understand them.

Procurement processes shouldn't even be particularly complicated in the sense that the steps ought to be clear.

Take the seven step sourcing process that has been around for decades. All of the elements that you need to be successful are embedded in those steps if they are executed well.

One of the first steps is to build a category baseline, which is an understanding of the spend of the category. The level of detail required will depend on the criticality of the category to the business. But even those companies that employ these infamous seven step sourcing will not always complete step well. The spend profile they come up with may be incomplete, inaccurate, not detailed enough. The list goes on. When you go to the gate one review with you stakeholders, always, always ensure that you have facts based on data that you can defend.

In building the best team, you need to have people who can execute well. This is about creating the right output that is high quality, consistently well done.

And to do this, a procurement team needs people who are customer focused, who care about what they do and who are structured and logical.

That is more important than having people who know the process, which is generally easy to pick up.

The best procurement teams have people who understand what their internal customers want and ensured they get it - even when it involves going the extra mile.

This in turn creates more of a pool for procurement services and elevates the function.

As well as simply having people who are great at executing, ensuring that there are ways in the team to share practices and learn from each other is just as important. Being able to execute well is something that can be learned, and through knowledge sharing, forums and informal coaching, the standard of execution across the whole team can be lifted.

## Attraction and retention of talent.

Now that you have the four principles of a winning team in place, you, as a CPO, need to find a way to successfully attract and retain some of the highly talented individuals to the team.

A recent survey of procurement business leaders reveal that training and development is one of the surest way to do this. And it's easy to see the logic in this. Top talent is invariably ambitious and understands that to progress it needs ample opportunity to learn and grow.

In some cases. Procurement functions, if they offer any training at all to their team members, will stick to what is seen as the core procurement syllabus of negotiation. And perhaps some other technical procurement training, such as contracting.

Some companies go further and sponsor their employees to pursue a procurement qualifications such as CIPS. There is no doubt that courses like these can be beneficial, and in the case of CIPS, it is a qualification that is recognized across the industry. This does help some companies to attract people to come and work in their procurement function, but are these the right people?

There are drawbacks to this approach. The first is the two stronger focus on technical skills in procurement misses what really makes a high Performing procurement person.

As I have laid out, a broader analytical and commercial skill set is much more important, as is having the right soft skills to build trust and influence stakeholders.

There is little to no focus on these skills in the usual technical procurement courses.

The second drawback of this approach is that it is one-size-fits-all. Some CPO's will view training as a box that needs ticking and for ease, will send sections of the team on certain courses, with no expectation of further learning.

But this is not nearly as effective as allowing tailored learning for individuals in the team, based on their individual needs - which are unlikely to be the same. This is much easier to do today than it was 20 years ago, when training nearly always had to be classroom based.

Today, we live in an era of cheap information. You can literally learn about anything online these days, often for free. View through this lens, there really is no reason why individuals in the procurement team should not be encouraged or freed up, depending on how you look at it, to design their own training syllabus and take their learning into their own hands.

Clearly the environment for this needs to be set up by the CPO, who must embed a culture of self learning. This means encouraging and supporting self-awareness of training needs or even better, ambition, and then checking in with the employee, at least during the performance review cycle, to see what sources of knowledge they have been able to find to facilitate that.

Some good examples of learning that can be pursued in this way that falls outside of the traditional procurement training would be data visualization or influencing skills or even sales skills.

The point however is that they should cover whatever it is the individual wants to learn to help them be better at their role and therefore make a more valuable contribution to the company.

An option I value quite highly is to encourage my colleague CPO's not to be afraid to allow his or her best people to leave procurement to go and work in other functions within the business. By doing this, it opens up

procurement as a function for many people who would never have dared to near it, thinking that once they were in procurement they were trapped, unless they move to a different company.

If you want to create a high performance procurement organization, make it a point of helping your best people to leave to go elsewhere in the company, because on many occasions the people come back more rounded. Highly talented individuals are also happy to be rotated into procurement knowing it's not a dead end.

Critically, the skills I have spoken about that make successful procurement people, are transferable to most functions.

Procurement just needs to make sure it is one of the seats of the merry go round for talented individuals who won the successful career in the company.

## Being bold when hiring.

As discussed, when it comes to recruitment, procurement experience is often sought after in candidates. The reason is clear. It seems like the least risky strategy. If someone has ten years of procurement expertise, then surely they will do well in a winning procurement team. No one could possibly get in trouble if it doesn't work out, given they are tried and tested in a procurement function.

Given what I have said about successful procurement people, however, procurement experience should be a nice to have at best. The technical side of procurement is not rocket science. And the concepts can be learned quickly by bright people.

By narrowing your search for people to build that winning team to those who have spent significant time in procurement, you are eliminating huge swaths of the brightest, most highly potential candidates. The remaining pool without doubt has some excellent people in it, but not enough to go around.

I have always found it to be much more useful to hire bright, motivated people, irrespective of any previous procurement experience, for example from sales. Or even graduates straight from university because it will be easier to find candidates with the skills to ensure the procurement team is a winning one. It is interesting to note that the consulting houses hire according to this model. They generally take people from good universities with a rounded personality and often a science related degree, but no procurement experience. They teach them technical procurement concepts very quickly and they often achieve excellent results with their clients.

They can help their clients achieve these results because generally these candidates are motivated, they want to learn, they have excellent analytical and commercial skills, and they relate well to their clients and the people

with whom they need to work. Of course, this model is not necessarily transferable to industry, but by being bold and hiring for tomorrow's winning team rather than the traditional procurement skill set, CPO's will have a much greater chance of pleasing internal customers, getting traction in the business and raising the procurement profile. In doing so, procurement becomes an attractive function in which to work and breaks the low visibility cycle that has plagued us for so long.