Hey Procurement! It's Time to SELL!

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The Procurement, or Purchasing, function is considered by many to be a necessary but non-strategic part of any organization. But there is a profoundly significant Procurement value chain.

Study after study shows that this is a common view held amongst Executives and peer functions alike.

This is not to say that they believe Procurement doesn't play a role, but rather that they don't view Procurement as playing a critical role beyond cutting costs and finding suppliers.

Well here's some news. Procurement is strategic!

Instead of waiting for others to realize that now is the time for Procurement professionals to make their value and contribution known.

Now is the time for Procurement to SELL!

As discussed in our article What is Procurement's Place in the Value Chain? Procurement was historically considered a

secondary activity within an organization. It's role was to acquire goods and/or services as designated and required by more primary functions within the organization.

This has been a long standing view of Procurement and in many cases is how many still view Procurement today.

People think of Procurement (inclusive of Purchasing) as the group that will find suppliers (often with the sole objective of cutting costs), negotiate deals, place purchase orders, and deal with supplier issues. And invariably they think of Procurement as the group to go to in order to squeeze more costs out of suppliers over and over again.



This is reflected in our Procurement Report Card article in which "**83% of executives surveyed say that their Procurement function is not entirely strategic** – meaning they don't think it's crucial to business leadership, and that it isn't a key input when making high-level strategic decisions."

Ouch!

The survey quoted in this article continues to state that "only **28%** of executives surveyed viewed Procurement as a core aspect of their strategy. **More than half (51%)** of the executives do not consider their Procurement operating models to be effective as they stand today."

Is this perception of Procurement because this is how people have always felt about Procurement, because this is how Procurement people actually behave, or some combination of both?

For those who view Procurement as just the group that conducts RFQs (Requests for Quotation), places transactional purchase orders to buy things that others have directed, and negotiates mundane contracts then Procurement is seen as a minor part of an organization.

But for those who see, and experience, Procurement as a primary function with critical insights into marketplace and competitive dynamics, the power to dramatically influence the financial and operating performance of a company, the ability to define and drive environmental, governmental and industry practices, and the intelligence to strategically manage complex global Supply Chain networks, then Procurement is a powerful force to be reckoned with.

The Procurement Value Chain Continuum

If your Procurement organization is doing so much more than just getting the lowest cost and processing purchase orders if no one else knows about all of this extra value then it doesn't much matter.

While Procurement professionals are experts at BUYING things, they now need to focus on SELLING, or rather marketing, their own contributions, capabilities and value!

Now I would never advocate selling something that isn't real. Selling vapourware is unethical and inappropriate. So if your Procurement team is truly a transactional based organization today then your focus needs to be on getting it out of the dark ages and into modern times.

The starting point is defining where you Procurement team is on the Procurement Value Chain continuum.

Procurement 101

At this basic level your team performs the traditional Procurement functions of finding suppliers, getting quotes, negotiating prices and terms, putting contracts in place, placing purchase orders, and managing day to day issues. It tends to be a more reactive organization focussed on managing day to day tasks and fires.

Advanced Procurement

In addition to Procurement 101 your organization has more meaningful programs in place. These may include a Supplier relationship management program, benchmarking, employee training and development programs, forecasting and planning capabilities, spend aggregation and controls, process improvement activities, cash cycle measurement and management efforts, and so on.

Strategic Procurement

A Strategic Procurement organization does everything stated above and much more. They have a wealth of intelligence related to what is going on in the marketplace, with suppliers and competitors, and in the economy in general. They have an end to end view of the Supply Chain. And they are intimately aware of, and shaping, the strategic direction of the company.

Strategic Procurement is focussed on how to drive innovation and unique capabilities to meet end Customer and stakeholder needs and requirements. They are able to deploy advanced analytics and Big Data, using the collective information set that only Procurement has, and use it to inform and advance the Executive level discussion about company direction and strategy.

Procurement has unique access to the world beyond your organization more than any other part of your company.

Procurement reaches companies and industries all over the world. It has access to, and the ability to manage, the resources of all of these external companies to meet both tactical and strategic needs. Procurement has command and control.

In short, Strategic Procurement is focussed on providing a higher level of value.

Perceptions Prevail

Any Procurement organization needs to honestly, and objectively, determine where they lie on the Procurement Value Chain Continuum outlined above. They need to do this from two perspectives:

1. How does the Procurement organization view itself on the Procurement Value Chain Continuum?
2. How does the rest of the organization view Procurement on the Procurement Value Chain Continuum?

These two distinctions are critical. Your Procurement team may be doing a lot of things in the “Advanced Procurement” and “Strategic Procurement” stages for instance even though these are not visible, or understood, outside of Procurement.

If your Procurement team is truly only at the “Procurement

101" level then you need to develop a strategy to advance your organization. That is, and should be, your primary focus for the purposes of our discussion here.

However if your Procurement team is in the Advanced and/or Strategic phases but Executives and other functions view Procurement as only providing value at the "Procurement 101" level then there is clearly a disconnect between their perception and your reality.

The saying "Perception is Reality" is true.

So your next step is to change that perception. You need to SELL what Procurement is actually doing.

Procurement People It's Time to Sell Yourselves!

I know that Procurement people are typically trained to Buy, and to do it well. But in addition to that skill Procurement needs to Sell. Procurement must sell itself.

Buying and Selling skills are not altogether different. They both involve two parties sitting across from each other trying to effect the exchange of goods and/or services.

A truly intelligent Procurement professional understands the psyche of the salesperson, what makes them tick, and how they need to be managed. As such the Procurement professional is able to put themselves in the shoes of the

salesperson and leverage that perspective in how they do their jobs.

The same skill applies to selling Procurement. It is both sales and marketing. Procurement must be great at communicating and marketing the value that the organization brings beyond the traditional transactional view of Procurement.

As stated in Time to Look into the Future of Procurement "Procurement professionals need to get savvy. Their professional credentials will be measured by their ability to influence, persuade, and provide vision. Their mindset must be ***strategic, global, collaborative,*** and, above all, ***commercial."***

"Today procurement professionals are under considerable pressure to deliver value-adding business performance, and it is no longer enough to build a supply management capability that is efficient, demand-driven, or even transparent. Procurement must offer the organisation something that is **value adding"**

How to SELL Procurement

Like most anything else Selling Procurement requires a deliberate Communications and Marketing strategy. This strategy needs to include elements of:

- Relationship development with all functions/stakeholders
- Regular and structured Communications outside of Procurement
- Visible alignment with company vision
- Proactivity
- Leading and not just doing what you are told
- Demonstrating unique value by analyzing, interpreting, and presenting competitive/market information and dynamics which no one sees better than Procurement
- Massive, centralized information control at Procurement's fingertips
- Plans to drive revenue growth, innovation and unique capabilities
- Contributing value meaningful to customer and stakeholders
- A plan to stop being viewed as just a cost reduction organization
- Elements of leading initiatives such as environmental controls, standards, compliance, policies, practices and sustainability

In 7 Trending Business Practices Disrupting Procurement we see a new focus on "Responsible Sourcing, Total Value Ownership (TVO), Request for Solution (RFS), Supplier Enabled Innovation (SEI), the Circular Economy, Digitalization and Young Talent."

Conclusion

It all starts with leadership. This begins with the CPO (or your head of Supply Chain or Procurement).

In The Future of the Chief Procurement Officer … Is Already Here "CPOs must be technologically informed and savvy, building a team that is digitally aware and transformative, and they must be great communicators, at all levels."

As we consider how to increase the value, and view, of Procurement, in Could the CPO be Replaced by the Chief Value Officer? we compare the differences between the current role of a CPO versus the potential role of a Chief Value Officer.

It may seem basic, but just changing a title from Chief Procurement Officer to Chief Value Officer could be a huge signal that Procurement has evolved from that simple transactional view of the past.

In summary Procurement must:

1. Lay out a platform for creating more value
2. Create and deliver that value
3. Market and Sell the greater value and contribution that the Procurement team is providing

Keep Buying Procurement!

But now it’s time to start Selling!

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#procurement #purchasing #strategy #valuechain