



Best Practices Journal...

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Over 10,000 Supply Chain Leaders Now Receive This Bi-Monthly Journal. Please feel free to forward it to a colleague, or have them join the distribution below.

New articles in this Edition:

- § **Culture Eats Strategy for Lunch** - by Mark Trowbridge, C.P.M.
- § **Providing Value to Supply Management's Customers** - by Robert Dunn, M.B.A.

Strategic Procurement Solutions, LLC is a niche professional services firm dedicated only to the advance practice of Supply Management.

"Culture Eats Strategy for Lunch" - by Mark Trowbridge, C.P.M., Principal

Key Services include...

- § **Staff Augmentation (Temporary, Project, Contingency Search)**
- § **Online Skills Assessment Diagnostics (Discounted Prices still available into Q1)**
- § **Professional Development Services (Training, Coaching, Org Development)**
- § **Expertise in Strategic Sourcing of High ROI Spend Categories**
- § **P2P Efficiency Enhancements, and**
- § **Outsourcing Project Expertise (LCC & BPO).**

Strategic Procurement Solutions' clients range from Fortune 100 to Russell 2000 in size; and include numerous Global enterprises as well. We also

In my last corporate job, the quotation above was used quite frequently by the senior executive to whom I reported. And the longer I've consulted to Fortune 500 client companies and major public sector agencies, the more the wisdom of this quotation is confirmed.

The Center for Advanced Purchasing Studies (CAPS) recently published a 2007 survey of 62 leading supply chain organizations, titled Achieving World-Class Supply Chain Collaboration: Managing the Transformation. The study included the following interesting observation....

*"Now that companies have had an opportunity not only to launch their Supply Chain initiatives but also to pursue them over time, we are discovering that the journey toward meaningful collaboration is far more difficult than many initially imagined. **Real collaboration requires a changed mind-set supported by new organizational structures and cultures.**"*

This is a very polished way of saying "Culture Eats Strategy for Lunch". In other words, the study seems to be observing that true transition for a procurement group must include some changing of the organizational relationships with internal Line of Business (LOB) stakeholders.

Can procurement efficiency be achieved without some

work with leading Public Sector supply chain groups, and are one of a small group of consultancies pre-qualified by NASPO and WSCA to perform Strategic Sourcing consulting for member agencies.

organizational re-alignment? Very rarely. It would require a senior management team that can uniformly make the right “procurement” decisions and support cross-functional teaming without any degree of ownership. That would be quite magical, especially considering the turf wars inherent in today’s large companies and agencies.

Does this mean that the Supply Management function must always be “centralized”? **No, but it does require that the function must be “center-led”.** In fact, a recent review our company performed for a client, found that at least 86% of Fortune 100 companies have moved towards a “center-led” procurement model in most spend segments. Center-led procurement functions may relate to LOB stakeholders in a solid-line, dotted-line, matrix, or other manner. But the culture needs to be influenced to embrace a focus upon supply-chain performance. And if there isn’t a formal “Supply Management” organizational team of some type, empowered by executive management to achieve the following objectives, the odds of success aren’t too great:

Key Supply Chain Objectives

- *Cost reductions through a consistent approach to Strategic Sourcing;*
- *Supply chain security and continuity;*
- *Risk mitigation through a uniform approach to Contract Preparation, Negotiation, and Management;*
- *Empowerment of LOB units to drive transactional procurement, utilizing user-friendly processes and technology tools;*
- *Development and measurement of Key Performance Indicators (KPI’s), which lead to consistently-improving Supplier Performance outcomes; and*
- *Provision of “timely and value-added” information to LOB organizations which aid them in achieving their own business objectives.*

Some of the readers of this journal article may be in companies which have never truly *empowered them organizationally* to achieve the above objectives. Fighting a “culture” which doesn’t embrace an aggressive Supply Management “strategy” can be very discouraging.

But don’t give up hope. Sometimes the tide can be turned by hitting a few balls out of the ballpark. Focus on savings opportunities which can illustrate to senior management the value you can provide. And continue to educate your organization about “best practices” in supply chain operations.

If an objective third-party perspective would be helpful in illustrating the right approach to your senior management team, Strategic Procurement Solutions regularly conducts **360⁰ Procurement Efficiency Reviews** for companies and public-sector agencies. Our process includes the following steps:

1. Enterprise-wide Spend Analysis
2. Online Skills Assessment Diagnostic of Supply Chain Personnel
3. Online Survey of LOB Stakeholders
4. Online Survey of Key Suppliers
5. Review of Procure-to-Pay (P2P) Processes
6. Review of Contracting Processes
7. Review of Technology Tools in Use
8. Review of Position Descriptions for Supply Management

9. Review of Policies & Procedures
10. Interviews with Procurement Personnel (Centralized & Decentralized)
11. Interviews with Key Executives
12. Interviews with Legal and Accounts Payable Organizations
13. Benchmarking with comparable organizations

These steps result in a comprehensive “gap” analysis report documenting the differences between the client company’s performance and “best practices” utilized by leading procurement organizations. With each “gap”, we identify several ways to improve performance to the level desired by the management team. ***Please contact Strategic Procurement Solutions if you would like more information about a 360^o Procurement Efficiency Review.***

For more information, visit
www.StrategicProcurementSolutions.com

Providing "Value" to Supply Management's Customers...by Robert Dunn M.B.A., Principal

In most companies today, managers receive value-added information from shared services groups. For example, if you manage employees your Human Resources organization typically will provide you with reports such as...

- Salary Reports
- Attendance Reports
- Performance Evaluation Status Reports
- Training Reports

If you manage a budget, your Finance organization probably provides you with Actual vs. Budget Reports, Monthly General Ledger Reports, etc.

But what value-added information does the procurement organization report to the Line of Business (LOB) groups which it supports? **Usually Very Little.**

So what types of reports can Supply Management provide to LOB organizations, which will help them manage their businesses more effectively? Well here are a few ideas:

1. **Contract Portfolio Report** – Wouldn't your Information Technology Director like to have a listing of all contracts which affect their organization? Or how about the Legal Department or key stakeholder organizations? Consider preparing a monthly report which details key information about the portfolio of contracts managed for each group by Supply Management...for example: *Agreement Number, Supplier Name, Product/Service Description, Effective Date, Expiration Date, Annualized Value, Supplier Scorecard Level...etc.*

