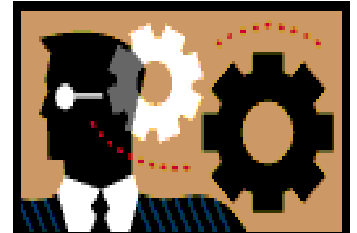




Welcome to Transform, the source for thought leadership for those organisations and procurement professionals whose goal is increased added value and improved corporate performance through effective management of procurement and the supply chain.



Procurement Entrepreneuring:

CXO's can discover how procurement can deliver a series of short term competitive advantages that disrupt markets to secure growth

A guide for CEO's, CFO's and CPO's on how their procurement organisation can develop an entrepreneurial role and capabilities in support of growth

What's in it for you? Competitive advantage and growth

Reading time: 10 minutes

Introduction:



From the very beginnings of commerce, the process of buying and selling has been at its core. To use an old business metaphor, “you don't make money when you sell you make it when you buy”. This metaphor suggest that it is at the time of buying when you set yourself up for future profits and recognises that the profit potential you control is 100% related to your buying decision.

Somewhere along the way as businesses focused on manufacturing their products, procurement was relegated to the status of the *'forgotten function'*, and fragmented across the entire spectrum of user-budget holders. This fragmentation resulted in a lack of specialisation and as a consequence, organisational knowledge and capability in procurement was severely compromised. Now as we move



out of this historical shadow and into the corporate limelight, procurement is returning to the status of a core business competency and is in need of a clear view of its future. For Purchasing Practice this means developing a more entrepreneurial approach and capabilities.

Procurement Entrepreneuring

Increasingly, organisations are competing through market disruption strategies and tactical manoeuvring to gain short term competitive advantage, until competitors catch up. In order to sustain this advantage in the long term, organisations must forge

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Developing Procurement Business Acumen (PBA):

Procurement at the highest levels requires practitioners to have developed strong business acumen with keen business judgment or insight, and to understand how all aspects of their company interrelate. PBA can be developed, so CPO's should provide opportunities for staff to acquire it:

1. It is important that procurement staff understand the business strategy, and so coaching in how their roles support it is critical to helping staff recognise value in supply markets.
2. Provide training in the financial aspects of procurement to facilitate understanding financial statements and P&L (Profit & Loss), cash generation, or revenue growth.
3. Support staff with a mentor with a strong business understanding. The mentor can be a co-worker, a retired executive, or someone from a professional body. He or she can also help track progress and keep the individual focused on learning goals.
4. Participating in task forces or committees responsible for developing the business can offer opportunities to work on challenging and exciting initiatives, such as improving quality, generating top line growth, increasing margins, or process re-engineering.
5. Provide access to professional bodies & business publications to provide current information about business trends, markets, or economic factors affecting the businesses. Some of these include: CIPS, ISM, The Wall Street Journal, Business Week, the Harvard Business Review, and CNN, networking events, conferences, and seminars.

Acquiring business acumen enables an intuitive ability to comprehend the total picture of a business and how it makes money, and most importantly....., ***procurements contribution to it.***



together a chain of short term unsustainable competitive advantages. In this new environment, finding new suppliers and new, innovative products and services becomes vital to the organisation.

Leaders are focused on reducing time to market cycles to stay ahead of the competition, relying increasingly on constant innovation and rapid entry into new markets. They are also, pulling further ahead by scanning for potential technology partners and innovations. That procurement contributes to these business strategies is an urgent imperative for CPO's.

Success provides new growth opportunities, early knowledge

“Leaders are focused increasingly on constant innovation and rapid entry into new markets. That procurement contributes to these business strategies is an urgent imperative for CPO's”

Procurement Entrepreneuring:

This is still an aspirational goal in procurement. Entrepreneurial procurement creates the conditions to successfully capitalise on opportunities, capturing ideas forged in external markets and ensuring their organisations secure preferential treatment in supply markets.

Procurement Entrepreneurs span the company's value chain continuously balancing the company's internal and external capabilities. Developing supply networks and collaborating with key partners they ensure the company's supply base is capable of meeting the current and future requirements of the business.

Enablers:

- Champions
- Capability to handle uncertainty
- Facilitate Imagination and creativity
- Encourage risk taking
- Can do attitude
- Thinkers

Barriers:

- Low procurement maturity and alignment
- Blame culture
- Risk averse
- Avoiders
- inappropriate recruitment criteria
- Not invented here mindset

Since procurement entrepreneuring results from the creative talents of people, employees need to understand the vision. **The goal is to bring about rapid change and disequilibrium in the company's markets.**



about attractive partners, and helps attain first mover advantage when entering into a strategic alliance.

For procurement, it means developing advanced business intelligence and collaboration capabilities to capture innovations that can be used in the organisations own customer value proposition. Through closer integration with sales and marketing to get closer to the end customer, it is possible for procurement to assess external innovation from an end customer perspective and analyse the potential value of the innovation. This intelligence based approach to innovation helps leaders secure competitive advantage, albeit short term.

In this role procurement innovations come from anticipating, finding and realising opportunities in the supply market that possess analysed value in the customer market.

Strategic Renewal

This concept of temporary competitive advantages is highly significant for all types of business but especially so for those engaged in differentiation and innovation strategies. In order to be competitive in the long term, they must develop the core capabilities which will enable them to forge the chain of short term competitive advantages. Procurement can play a major role in this market disruption process:

Venturing

At the business level this takes the form of Venturing. This is the setting up of a small high growth business inside a larger mature business. Richard Branson's Virgin Group is a classic example of this. In my own experience, I have worked with a major logistics organisation that launched a customer facing contract hire and fleet management company to market services to a broader market. Such arrangements capitalise on the procurement expertise gained from within the mature business.

Intrapreneur

An intrapreneur is an employee who has the entrepreneurial qualities of drive, creativity, vision and ambition. Such people differ from entrepreneurs as they wish to retain the security of the large organisation. Within procurement they can be developed, recruited or introduced by bringing in

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entrepreneurial consultants to help establish a more entrepreneurial culture within the procurement function. Often, the very presence of such a person serves as a catalyst for more entrepreneurial behaviour from existing employees.

Bringing the Market Inside

Innovations come from *anticipating*, finding and realising opportunities in the supply market that possess analysed value in the customer market. Procurement entrepreneurs capture ideas through market intelligence, working with preferred suppliers through to progressively more obscure suppliers in the *'open sourcing'* environment. They are the bridge between supplier innovation and the customer. So, procurement is no longer reacting to the organisations demand, but is instead capturing trends, innovations and industry events and taking its own proposals to the business, which in turn has a reciprocal impact upon business strategy.

“Procurement entrepreneurs capture ideas through market intelligence, working with preferred suppliers through to progressively more obscure suppliers in the 'open sourcing' environment”

Conclusion

Procurements role in leading organisations is growing beyond cost savings and into the value chain.

The value-added of the average company from internal activities has decreased continuously in the last fifteen years due to increased outsourcing of operational tasks. Some already operate with internal value-added as low as 20 percent which may become the norm in future. With the majority of value being captured from external sources, a new level of procurement capability is required, which in turn requires a new breed of procurement professional. The Procurement Entrepreneur.

This entrepreneurial breed of procurement professional will not be found in the traditional pool of procurement talent, so organisations will need to seek new sources of talent or develop suitable candidates from inside their own organisations. Leaders have already started to ensure they obtain the first mover advantage.

For More Information

Purchasing Practice Inc can work with your organisation to develop a strategic procurement capability that will add value and positively affect your top and bottom line. www.purchasingpractice.com





purchasingpractice
Corporate procurement made simple

Purchasing Practice –Corporate Procurement made Simple



Purchasing Practice works with clients on the complexity and barriers associated with implementing world class procurement practices; enabling our clients to gain more control over their third party spend management, processes and supply chains, resulting in enhanced capability to deliver innovative cost effective solutions to their own customers.

We drive superior and sustainable financial performance through top line growth, free cash flow and margin improvement (in private sector companies), and best value and service excellence (in public sector organizations).

We can help your organization “make change happen” in procurement. Our services include:

Transformation Management: We will act as a change agent by working with you to articulate and communicate the need for change, develop an enterprise wide procurement blue print and support you through the implementation process.

Spend Analysis: We provide spend transparency to our customers as part of our broader service offering, and this data can then be utilized to perform an opportunity assessment on the mapped data, pointing out potential areas for savings.

Opportunity Assessment: By working directly with those staff responsible for committing expenditure, or managing suppliers, we will carry out a rigorous review and present our recommendations

Sourcing Management: Using our strategic sourcing service enables clients to realize full value from their supply base through leveraging our proven processes

Category Management: We work with clients to analyze spend data, define suitable categories then working on a category by category basis to deliver significant benefits

Supplier Relationship Management: We will carry out a rigorous review using proven tools and methodologies to present our recommendations.

Mergers & Acquisitions: We will work with your M&A team to carry out a rigorous review using proven tools and methodologies

Private Equity: Working across your portfolio of companies we will drive value from procurement across business units

Interim Procurement Solutions: We essentially act as a flexible extension of the client’s own team, enabling you to realize the benefits of flexibility and scalability not only to identify, but also to implement incremental opportunities with our help.

Call us on 001 778 988 1052 (North America) or on +44(0) 1525 403862 (UK) or alternatively email us at info@purchasingpractice.com to schedule a consultation.

www.purchasingpractice.com