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Raising the esteem of procurement - Strategies to break into the boardroom

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Many companies have already undertaken a procurement transformation program, and have a strong team in place with significant wins on record. That said, procurement is still fighting for higher recognition, and is still viewed at board level largely as a cost centre.

Sadly, procurement managers often lack the skills, experience and sometimes, the motivation to quantify the true added value of their department.

As a result, procurement is denied a mandate, constantly bypassed by stakeholders, starved of investment and resources, and under constant pressure to justify its existence.

One gauge for the esteem in which functions are held is their representation, or lack of it, at board level. Unfortunately, the picture here is still discouraging for procurement. So what can supply chain managers do to address this problem?

More than savings

Highlighting savings alone hasn't succeeded. The procurement role has become much more complex and requires a broader skill base than it did 10 to 15 years ago.

Today, procurement professionals must learn to speak the language of the board, demonstrate entrepreneurial and networking skills, and learn how to market purchasing. They require the ability to execute projects with excellence, and to master internal politics and influencing skills.

These points can be summarized under five key process steps: stakeholder analysis, alignment, influencing, execution excellence, and marketing.

Neither one of these actions taken alone will offer purchasers a silver bullet, but together, they'll



demonstrate more powerful behaviors that will add value and raise the profile of purchasing:

1). Stakeholder analysis

Get to know the members of your board. Spend time with them, learn what their issues and priorities are; what pressures they're under and most importantly, their key deliverables in the coming months.

You should also be aware of the power held by their secretaries and assistants. Being courteous and polite to them isn't just good manners; it can help you get that vital appointment.

Once you've finally secured a meeting, don't waste the opportunity—there might not be another. Avoid boring detail, procurement jargon, moaning, griping, and other negative behaviors and at all costs, don't bring them fresh problems—they're looking for solutions.

Be concise. Prepare an "elevator pitch," a chance to sell yourself and the function to your chief executive in three minutes or less.

2). Alignment

Once you've got to know the board members and the issues driving the agenda, you can start to align the focus of the purchasing department accordingly.

The agenda will likely contain issues such as compliance, corporate governance, profit maximization and revenue growth, meeting new regulations and proving best value. Other organizations will be concerned with brand, innovation, share price, public perception and even survival.

3). Influencing

Many board members haven't recognized the importance of procurement. Consequently, it's still a third-tier function within a finance or administrative department.

Heads of these departments are unlikely to support losing a function that gives them some power, status and influence. In such a scenario, the potential to be recognized as a strategic function, able to deliver best-in-class performance and value for money, is limited. Therefore, procurement must have influence at the very top.

Playing the political field and influencing at the right level is vital to getting procurement noticed. Being right isn't always enough.

4). Execution excellence

Once you have your strategy in place and are mindful of the political environment in which procurement operates, the next step is ensuring you support it through execution excellence.

By adding value through sourcing better suppliers, raising the quality of what your business does and saving money at the same time, procurement will find its fan club growing. Divisional heads, vice-



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presidents and directors will take note; and invitations for vital early involvement will follow. Make the numbers tell the story, and procurement will start to command significant influence.

5). Marketing

Purchasers must tell everyone in their organization about the benefits of a strong procurement department. If the executive board is the intended audience, reporting metrics for activities is unlikely to demonstrate a clear link to profit or balance sheet improvements.

Instead, procurement should focus on results. By choosing results-focused metrics, managers will communicate not only historical performance, but also future performance.

In many organizations, procurement hasn't communicated how it ties in with finance. This is one of the greatest challenges to getting procurement managers onto the board. They've struggled to translate how purchasing outcomes translate into key performance metrics for their organizations. Therefore, chief executives tend to look to their CFO for this information.

So remember, it's not a saving unless the CFO says it is. By first agreeing the numbers with finance, procurement can start to understand how finance interprets the numbers and feeds them into operational budgets and profit and loss charts; and increase its credibility in the process.

Conclusion

Claiming a seat on the board requires highly-skilled people, who are fluent in the language of business, able to promote themselves and navigate the minefield of internal politics.

The ultimate goal of a seat on the board won't come without a strategic agenda, excellence in execution and effective marketing. Finally, procurement must present it all as a value proposal the chief executive will understand.

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