

Five Mistakes That Can Sabotage a Successful Procurement Transformation

Essential Information Every Procurement Executive Needs for 2017 Success



Introduction

Imagine this as your New Year's resolution:

“This year, I plan to create a sustainable, world class procurement organization that can drive additional value into the future.”

Sound simple enough? Unfortunately, it's not. Procurement Transformation is often a substantial, complex process that requires numerous parallel initiatives. With increasing pressures and diminishing budgets it is essential for procurement professionals to avoid spending too much time and money on transformation efforts that – while they might produce short-term benefits – aren't beneficial in the long run nor sustainable.

However, the good news is that – to ensure success - there are several lessons to be learned and pitfalls to avoid when engaging in Procurement Transformation. In this whitepaper, ProcureAbility will highlight five mistakes that can sabotage a successful Procurement Transformation and offer suggestions as to how to make the Procurement Transformation more effective and long lasting.

Procurement Transformation Defined

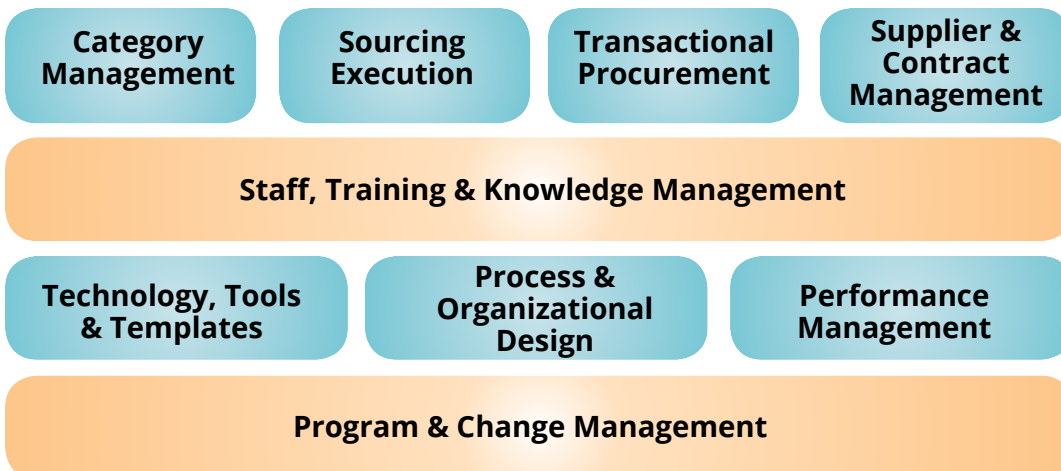
Before we look at the five top mistakes, let's make sure we're on the same page with regards to the definition of Procurement Transformation. Procurement Transformation is a holistic approach to improving all aspects of the procurement organization, in order to achieve results and ensure long-term sustainability.

While still being asked to cut costs and deliver timely results, today's leading procurement organizations are:

- Trending away from “project-based,” insular improvement initiatives toward more holistic approaches and building increased capability across all aspects of procurement
- Evolving from purely cost reduction procurement initiatives to focus on supporting corporate revenue growth and total cost of ownership improvements for sustainable, performance based results
- Balancing the need for multi-faceted, large-scale improvements with the need for expediency of results
- Using innovative approaches that combine fast-paced, saving-based programs with longer term infrastructure-building and knowledge-transfer programs, thus transforming their organizations into ones that meet both short and long-term objectives

ProcureAbility identifies nine key components of Procurement Transformation – each piece of which is critical to the overall success, shown in the graphic below. Assessing your organization against these dimensions will enable your organization to better understand how to meet your organizational goals around procurement transformation.

ProcureAbility's Key Components of Procurement Transformation



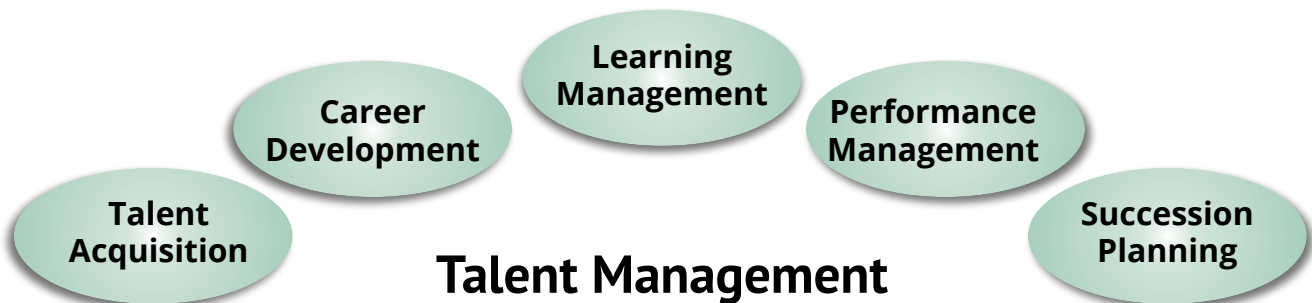
Five Top Mistakes

In order to achieve success, it's time to delve into the five common mistakes that companies and procurement organizations make in regards to Procurement Transformation:

1) Forgetting the "Soft Side"

Procurement Transformation involves a comprehensive approach to re-thinking your procurement operations. No longer is it solely about processes or cost savings. One of the biggest elements so often overlooked is the people - the cultural side of the organization. It's critically important to build the optimal team for the future and having the right people with the right skillsets helps to best fulfill the potential of the procurement organization. Be sure to be collaborative in your approach to Procurement Transformation; involve as much of the organization as possible, as well as key stakeholders, since they will be responsible for managing and implementing the new processes going forward. Some specific considerations regarding the "people side" of transformation, include:

- Understanding your talent landscape and how to acquire, develop, motivate, and retain key people
- Involving the organization & stakeholders in the up-front design of the procurement transformation, as well as the implementation phases
- Developing a formal change management and communication plan for the transformation efforts, as well as designating specific change leaders
- Aligning individual and organizational goals and effectively tracking progress
- Emphasizing employee performance management more than ever
- Investing in performance-based development
- Identifying and rewarding high-performing employees to increase productivity and profitability
- Having a succession plan to manage the top talent in the procurement organization



2) Thinking That It's Just About Sourcing

Some Procurement Transformation efforts are really just glorified sourcing projects. True Procurement Transformation efforts include a review of category management, sourcing execution, transactional procurement, and supplier management. Procurement Transformation is not a "one size fit all" program. It can greatly depend on factors, such as:

- Maturity of current sourcing/procurement organization

- Skill level of current employees
- Company culture
- Buy-in from internal clients regarding progressive procurement practices
- Current level of automation and technology sophistication
- Sending level and distribution across spend categories

3) Thinking That It's Just About Savings

If savings are the only objective, then broad-scale Procurement Transformation may not be the "best bang for your buck." If you want true Procurement Transformation - certainly set savings targets - but, more importantly, develop holistic, long-term goals and objectives. For sustainable procurement excellence, it is essential to develop a "blueprint" design to identify savings opportunities and performance measures that will position the procurement organization for continued results beyond cost-reduction initiatives.

4) Transforming Everything

The old adage "If it isn't broken, don't fix it" holds true in this case. Most likely, not every process in your organization needs to be transformed. Procurement Transformation starts with a thorough assessment of your current organization - what works well, and what needs to be improved. Be selective on the processes or parts of your organization that require a true transformation and keep in place the processes that are already successful.

5) Not Having a Clear Vision

Creating a large-scale transformation program without having all players on the same page in regards to the outcome is like taking an around-the-world journey without a map or destination. Spend time up-front with

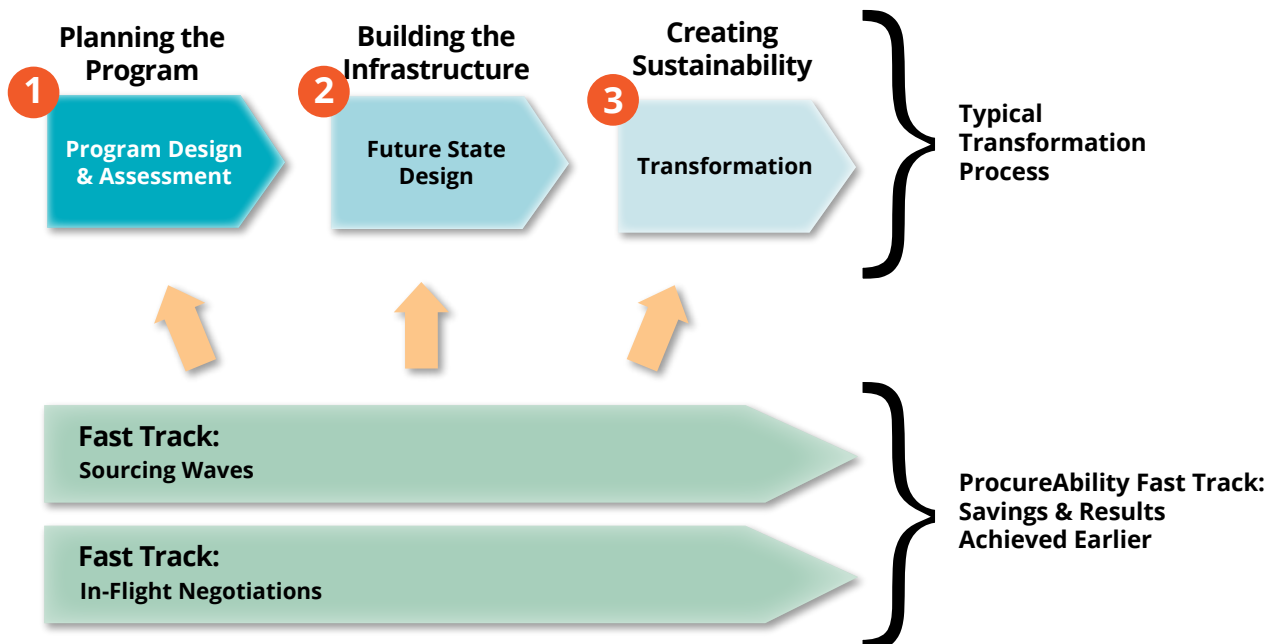
your leadership team to clearly articulate what desired outcomes look like. This isn't about having a slick vision statement. It's about clearly defining and articulating what Procurement Transformation success looks like. It is imperative to be descriptive, measurable, and specific. Be sure to create the right metrics that can:

- Help to ensure linkage of corporate objectives to category-specific savings topics
- Allow for visibility of key cost, quality and service performance at various levels
- Provide a consistent tool to track total procurement results
- Ensure the procurement organization is focused on mutually-agreed upon, consistent performance metrics
- Provide the basis for a formal continuous improvement approach to strategic sourcing

Fast Track Procurement Transformation Process

While Procurement Transformation can be daunting proposition, ProcureAbility's Fast Track Procurement Transformation Process offers a different approach that accelerates transformation. As shown below, our process allows for flexibility and calls for collaborative efforts that are focused and prioritized.

The Fast Track Procurement Transformation Process



Fast Track Procurement Transformation is enabled by several factors within the organization and with team members' perception of the process. To be successful, it is important to:

- Focus on the future state of procurement more than the past or present
- Prepare a strong executive team and sponsorship to mobilize the organization
- Assemble a team willing to challenge existing capabilities and procurement processes
- Tap the talent of those capable of working crossfunctionally and collaboratively
- Create teams that focus on major transformation areas in parallel
- Kick off work streams that will deliver short-term results first (i.e. sourcing and in-flight negotiation)
- Set up an effective governance structure that tracks and reports progress weekly
- Encourage an organizational desire to challenge existing supplier relationships and adopt new contract and pricing structures

Additional enablers related to the business environment include:

- Business unit willingness to help realize savings and allocate budgets accordingly
- The urgent need to improve a difficult financial position
- Top-down pressure to improve earnings per share
- Aggressive leadership that understands procurement's impact on bottom-line results

Conclusion

Today's economy impacts procurement in a wide-variety of ways, from increased pressure on reducing spend, to a shift towards more strategic, collaborative transformation efforts.

The result of a successful Procurement Transformation is that it can provide tangible savings - usually 10% to 20% of spend under management. It also creates sustainable results, which can help to ensure the organization's success into the future.

Contact ProcureAbility today for a No-Cost Procurement Strategy Assessment.
Call **888.824.8866** or email **info@procureability.com**

About ProcureAbility

ProcureAbility™ transforms traditional, outdated consulting and staffing models by offering our clients advisory and resource support on their terms.

Our delivery model is unique. We give clients access to unbundled resources, plus the ability to selectively add value through leading-edge methodologies, the latest best practices, and specialized insight and advice—an approach unheard of in traditional consulting and staffing firms.

ProcureAbility's customer-focused delivery model allows for a wide range of flexibility:

- **Working with strategic or tactical experts** who can deliver a wide range of solutions, from consulting to staffing
- **Scaling a team your way**, from individual resources to complete project teams
- **Adding value as needed** from a deep and broad library of procurement insights
- **Choosing remote or on-site support options** — or both

Since 1996 we've focused only on procurement's success. **It's all we do.**

For more information on ProcureAbility services, visit **ProcureAbility.com** or call **(888) 824-8866**.