

Procurement Transformation on the Fast Track: Doing More With Less

*PART ONE: Getting the House in Order:
Critical Components of Procurement Transformation*



Introduction

This whitepaper is Part I in a **three**-part series Procurement Transformation on the Fast Track: Doing More with Less. Procurement Transformation is often a substantial and lengthy process that involves massive organizational resources, a large army of external consultants, and extensive political capital from executive management.

We'll present a different take on Procurement Transformation to demonstrate how you can put transformation on a fast track with focused and prioritized efforts around process, organization, and technology.

This paper focuses on preparing for Procurement Transformation and includes Procurement Transformation trends, critical components, a fast track process, and planning considerations.

Companies must take an aggressive approach to contract renegotiation and re-sourcing to remain competitive in today's environment. Many companies have limited manpower and resources to execute this seemingly daunting initiative. However, every day that passes without contract renegotiation and re-sourcing is costing money.

Don't leave savings on the table because you think it too onerous, costly, or time-consuming to renegotiate or re-source now.

Trends in Procurement Transformation

The current economic environment is impacting procurement in a variety of ways, from enhancing pressure on cost cutting to a shift towards more strategic, long-term transformation efforts. Today, much more is expected of procurement than transaction management and cost-reduction support. Leading procurement organizations are responding by building longer-term, sustainable solutions; improving category management capabilities; and exploring and implementing new delivery models enabled by technology and BPO offerings.

Do More With Less

Learn more about how ProcureAbility can fast track your Procurement Transformation.

The Procurement & Supply Market Environment

Current Economic Environment

- Economy more stable, but 2010 expected to still be a very weak year
- Unemployment at 9.7%, a worrisome indicator
- Global market remains firm with healthy import/export activity
- China leads the pack, with India and Brazil following
- Emerging markets closely watched for sustained recovery signs
- Commodity prices volatile, but less so than 2008/2009
- Energy, metals, resins rebounded but are still much less than earlier levels
- Going forward, we expect a stabilizing, yet constrained, environment strengthening towards end of 2010

The Procurement Environment

- Continued pressure on procurement organizations to contribute to cost savings targets
- New delivery models available to procurement organizations, in terms of technology & BPO offerings
- Increasing tendency for procurement organizations to build longer-term, sustainable solutions
- Greater acceptance of category management and strategic sourcing approaches across a wider range of spend categories
- Broader expectations of procurement organizations beyond transaction management and even cost reduction support, including supply risk management, value engineering and product planning

Procurement Transformation Overview

Procurement Transformation Defined

Procurement Transformation is a holistic approach to improving all aspects of a procurement operation for improved results and long-term sustainability.

Although still being asked to cut costs and deliver results quickly, 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
- Balancing the need for multi-faceted, large-scale improvements with the need for expediency of results
- Using innovative approaches that combine fast-paced savings-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

Key Components of Procurement Transformation

Following are ProcureAbility's key components of Procurement Transformation – each piece is critical to success. For example, without staffing, training, and knowledge management it is very difficult to have a sustainable program. And, as we know, strategic procurement is all about change – reducing inventories, changing products and suppliers, improving processes and relationships, and more. So, a team orientation to change is critical for Procurement Transformation.

ProcureAbility's Key Components of Procurement Transformation

Category Management

Sourcing Execution

Transactional Procurement

Supplier & Contract Management

Staffing, Training & Knowledge Management

Technology, Tools & Templates

Process & Organizational Design

Performance Management

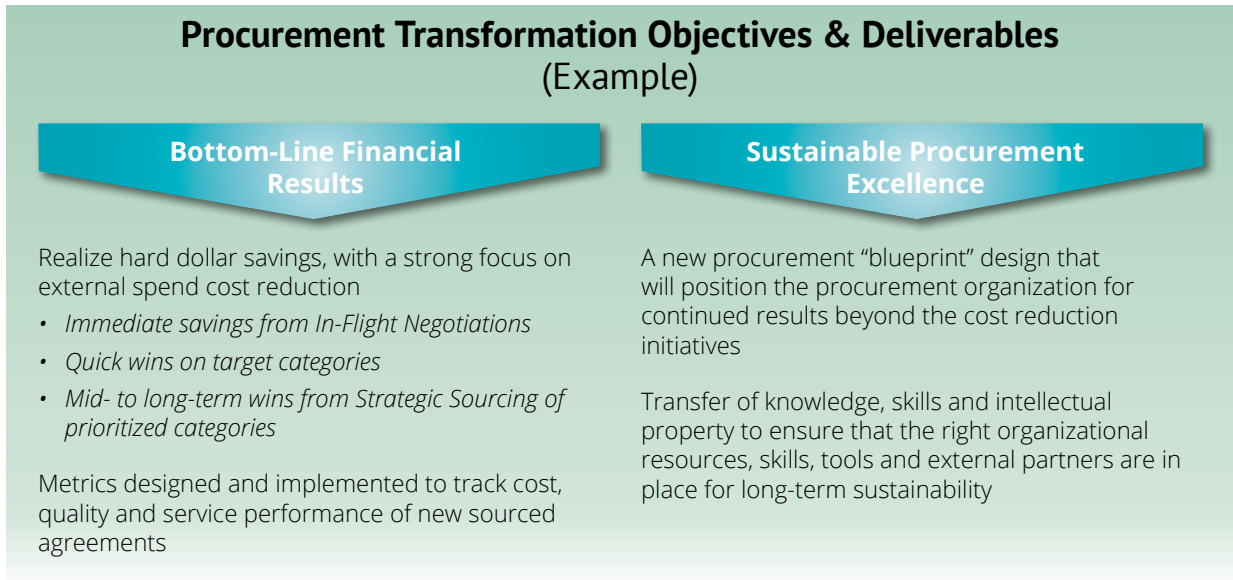
Program & Change Management

Typical Procurement Transformation Objectives and Deliverables

Most Procurement Transformation programs have two primary objectives:

- Bottom-line financial results
- Sustainable procurement excellence

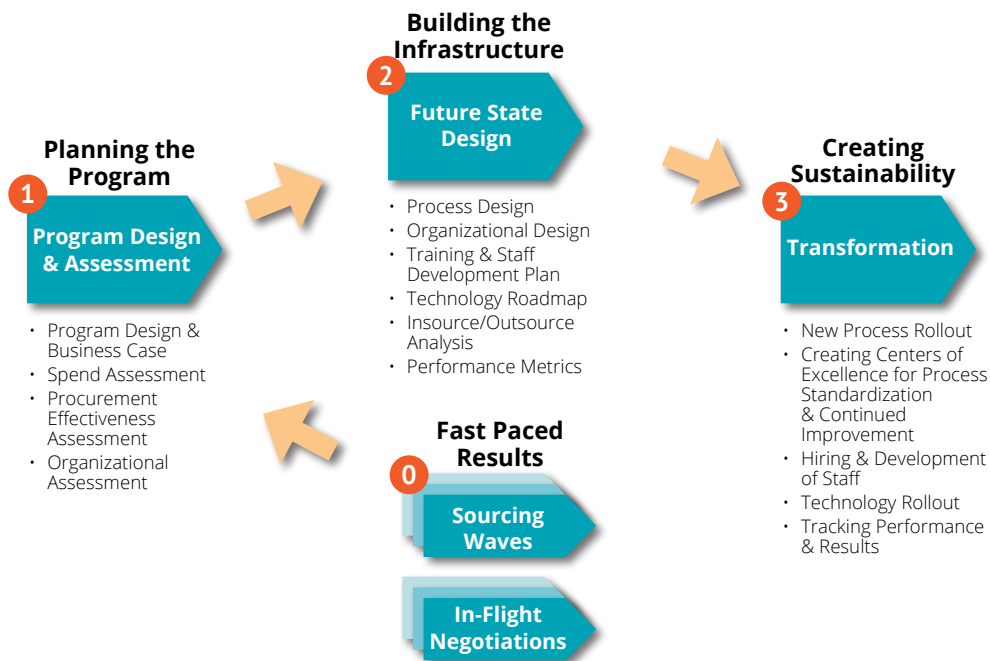
Following is an example of these co-objectives and deliverables.



The Fast Track Procurement Transformation Process

Most think Procurement Transformation calls for a long and arduous process. ProcureAbility's Fast Track Procurement Transformation Process takes a different approach that accelerates transformation. It allows for flexibility and calls for collaborative efforts that are focused and prioritized.

The Fast Track Procurement Transformation Process



The process is not typical and sequential because Procurement Transformation needs to be highly tailored to each organization's situation – the organization's culture, where it is on the curve of sourcing capabilities, spend levels, how spend is organized, and the overall environment.

For example, some organizations might begin with Sourcing Waves and In-Flight Negotiations to generate quick savings and fund the transformation effort. Others might begin with Program Design & Assessment, and do a comprehensive spend assessment of 40 to 50 categories. The starting point really depends on the organization's needs and priorities. The following section comments on elements that influence program design.

Planning for Procurement Transformation

Procurement Transformation is not a "one-size-fits-all" program, program design depends 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
- Spending level and distribution across spend categories

In order to design a Procurement Transformation program that will succeed, careful analysis of the current state of procurement should be completed before detailed program design begins. Key stakeholders, inside and outside of procurement, should be included in up-front assessment activities. The planning phase is a fact-based data and information gathering process that should create valuable insight into the design phase.

Conclusion

Procurement Transformation can offer significant short- and long-term benefits: bottom-line financial results and procurement excellence. It can also elevate the procurement organization's standing within the company.

No longer is procurement simply a tactical organization of transaction management or even cost-cutting support. The economic environment has helped increase expectations of procurement, and thus its potential strategic impact.

Procurement Transformation can be a daunting task, but with ProcureAbility's collaborative approach that is flexible yet methodical, focused, and prioritized, you can create sustainable results.

Do More With Less

Learn more about how ProcureAbility can fast track your Procurement Transformation.

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**.