



# Stop Sabotaging Your Procurement Transformation Efforts

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# ProcureAbility Presenters



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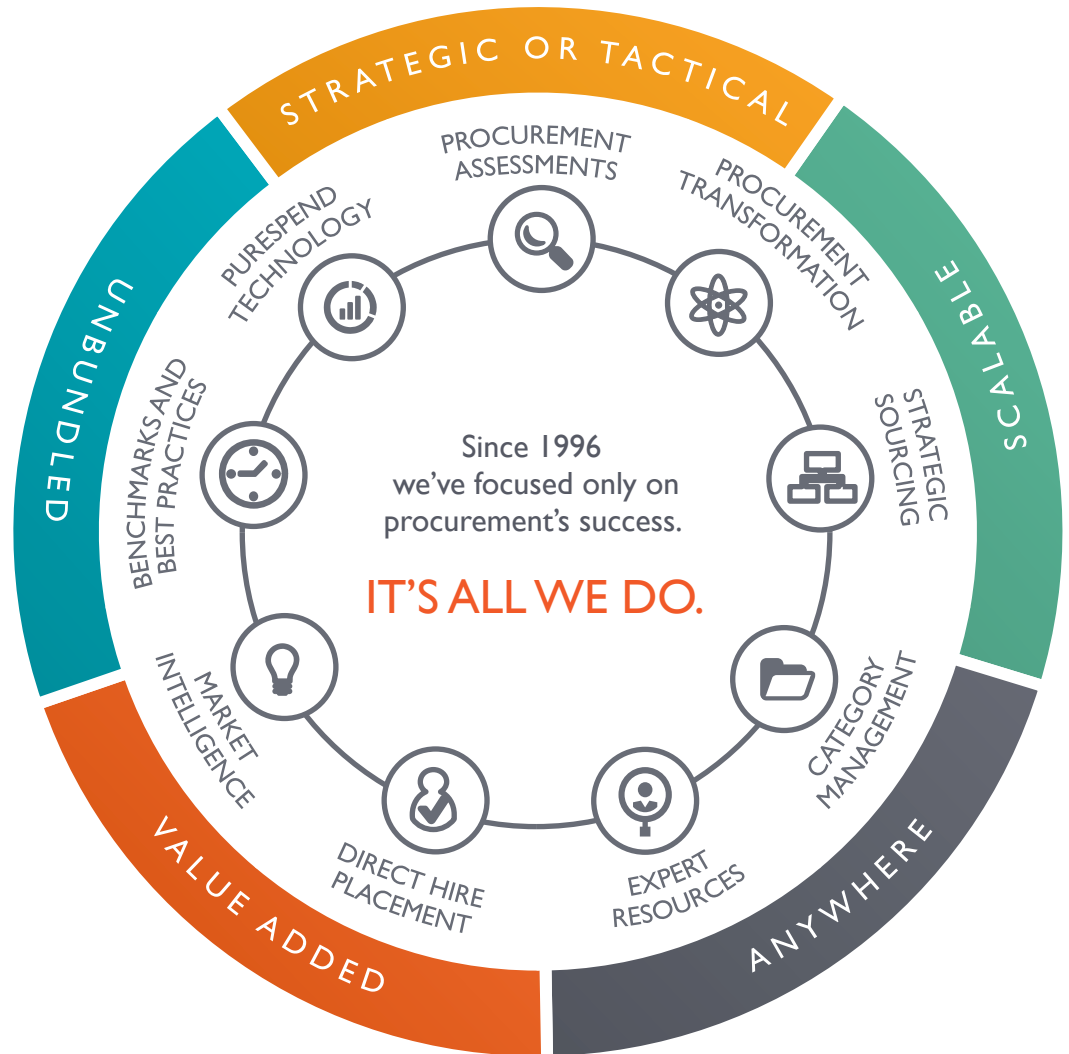
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# ProcureAbility

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# Agenda

Understanding Procurement Transformation

Five Common Mistakes

Strategies for Avoiding Failure

Wrap-Up

# Procurement Transformation Defined

**Procurement Transformation:** *A holistic approach to improving all aspects of a procurement operation for improved results and long term sustainability*

## **What it is:**

- ✓ An improvement approach that focuses on ***all dimensions*** of procurement effectiveness
- ✓ A program with goals to increase & expand Procurement's ***total value***
- ✓ A balance of ***long term and short term*** objectives

## **What it isn't:**

- ✗ A short term, project-based initiative
- ✗ Purely a cost reduction effort
- ✗ Just about sourcing

# Polling Question

How would you rate your organization's Procurement Transformation efforts?

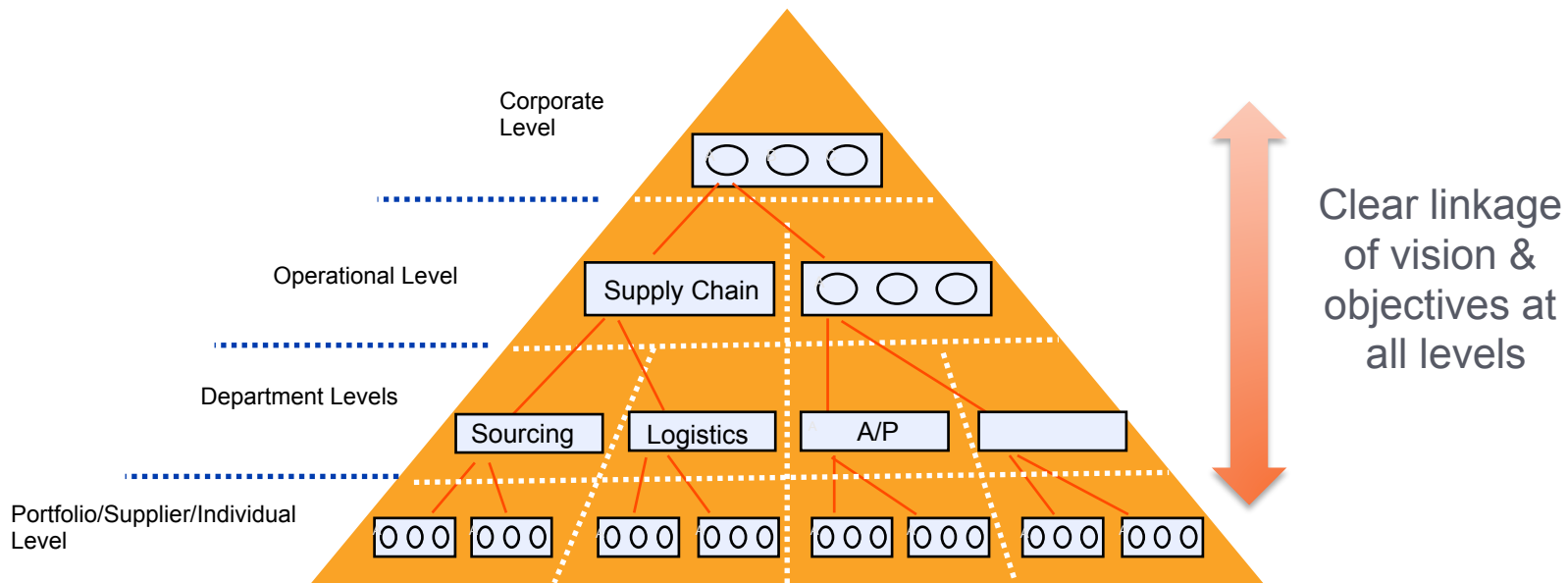
- A. Very successful, flawless – no significant issues, great results
- B. Successful, but some lessons learned and stumbling points along the way
- C. Mixed results – didn't realized the benefits expected, but got some results
- D. Disaster – would not recommend
- E. What's Procurement Transformation?

# Five Common Mistakes of Procurement Transformation

- 1 Not having a clear vision
- 2 Thinking that it's just about sourcing
- 3 Thinking that it's just about savings
- 4 Trying to transform everything
- 5 Forgetting the soft side

# 1 Don't embark without a clear vision

- Before you start, clearly articulate what Procurement Transformation success looks like
- Be descriptive, measureable and specific
- This isn't about slick vision statements, but about understanding clearly what your desired outcomes will look like
- Ensure solid linkage from corporate visions, goals & objectives, down to the individual level





# Typical Procurement Transformation Objectives & Deliverables

EXAMPLE

Most Procurement Transformation programs have two primary objectives:

## Bottom Line Financial Results

Realized hard dollar savings, with a strong focus on external spend cost reduction

- Immediate savings from In-Flight Negotiations
- Quick wins on target categories
- Mid to long-term Wins from Strategic Sourcing of prioritized categories

Metrics designed and implemented to track cost, quality & service performance of new sourced agreements

## Sustainable Procurement Excellence

A new procurement “blueprint” design that will position the procurement organization for continued results beyond the cost reduction initiatives

Transfer of knowledge, skills and intellectual property to ensure that the right organizational resources, skills, tools and external partners are in place for long term sustainability

## ② It's more than just "sourcing"

### *ProcureAbility's Key Dimensions of Procurement Transformation*

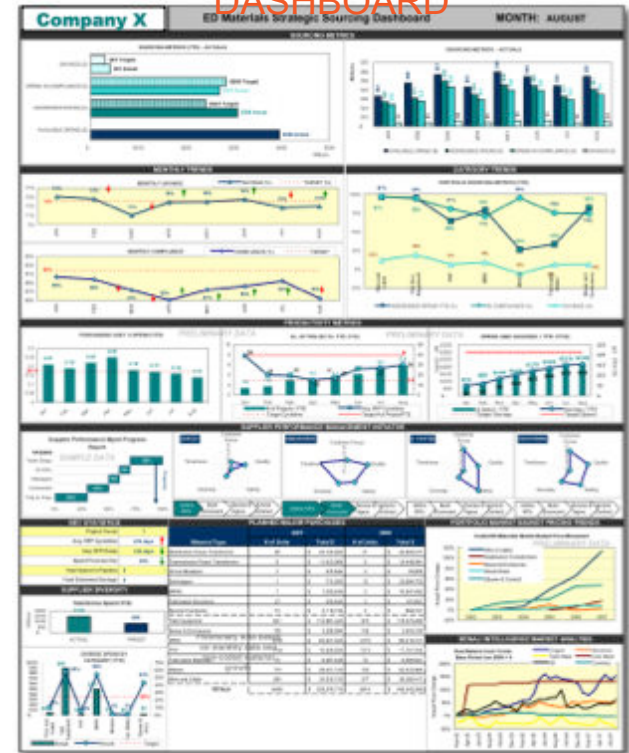


Effective Procurement Transformation requires attention to a holistic suite of dimensions

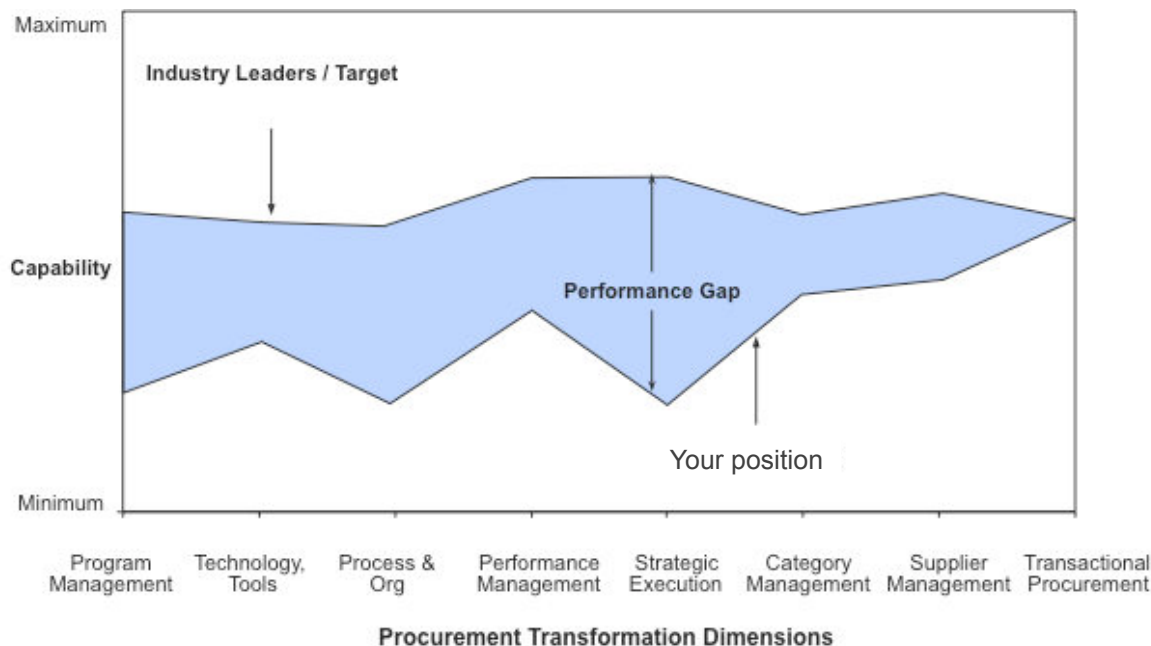
# 3 It's not just about savings

- Think about the ideal end-state, in terms of overall goals and objectives
- Think broadly – efficiency AND effectiveness, cost AND quality AND service levels
- Develop your ideal “dashboard” of the future, with metrics and targets that you’d like to achieve in 3 months, 6 months, 1, 3 and 5 years out
- Use this to guide your transformation efforts – what changes will you need to make to enable your organization to achieve the range of targets?

## SAMPLE PROCUREMENT DASHBOARD



## 4 Don't try to transform everything



- Understand your current performance along the Procurement Transformation dimensions
- Identify areas with the largest gaps, and target those first
- Be realistic about your capacity for transformation activities; match your capacity against the highest priority initiatives
- Establish a realistic transformation roadmap

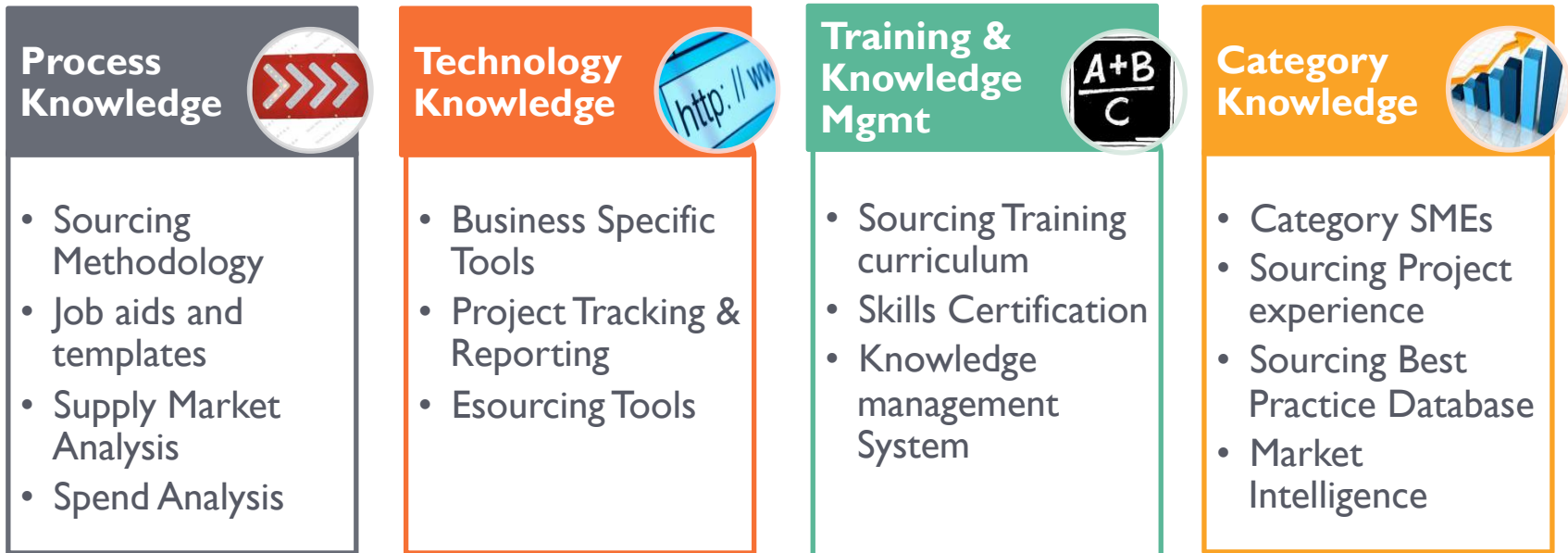
## 5 Don't forget the “soft side”

- Be as collaborative as possible
- Involve as much of the organization as possible
  - Include the organization & stakeholders in the up-front design of the procurement transformation effort, as well as in the implementation phases
- Understand your current talent landscape, and have a plan to acquire, develop, motivate & retain key people
- Develop a formal change management & communication plan for the transformation efforts; designate specific change leaders
- Emphasize employee performance management
- Invest in people development
- Identify & reward high-performing employees
- Have a succession plan to manage top talent



# Building the infrastructure to create an effective team

The following four elements are essential to delivering strong sourcing capabilities



# Polling Question

If you've been involved in Procurement Transformation, which of these would you most want to change (in hindsight)?

- A. More clearly articulating the vision up-front
- B. Being more holistic - Expanding the scope of the transformation to include areas outside of Sourcing
- C. Focusing on more than just savings
- D. Prioritizing initiatives more effectively
- E. More focus on the soft-side (people)

# Final Thoughts - Planning for a Successful Procurement Transformation

Procurement Transformation is not a “one size fits all” program; program design can depend on such factors 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 & 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 the detailed design is started

Key stakeholders, inside and outside of Procurement should be included in the 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

# Thank you!



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