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# Are you kept awake at night by the issue of Cost Control?

**As a CEO, you're naturally juggling a number of hats, responsibilities and pressures, so the last thing you need to be faced with is a poorly performing Procurement function. So if Cost Control is keeping you awake at night, perhaps it's time to consider how effective YOU are being at leading your Procurement function towards achieving its true mojo?**

***"Those that seek 'procurement excellence' without building underlying organisational effectiveness will discover that you can't draw water with a sieve."***

Organisational effectiveness is the most critical requirement for long-term sustainable success, whether we are talking about Procurement, other functional areas or the wider enterprise as a whole. It is impossible to overemphasise this point. Procurement functions, like all organisations, are about people. It is people who do the purchasing work and deliver results, not computers, strategies or processes. Those things are simply tools or enablers we employ to achieve our objectives or to get the work done efficiently.

Procurement has a massive impact on enterprise costs, profitability and competitive advantage. Thus, we all have an obligation to support the Procurement function in finding its mojo. As a CEO, you must do your part to enhance Procurement organisational effectiveness; because ineffectiveness drains value, the very thing Procurement should be delivering to the enterprise.

The first and most vital element of organisational effectiveness is effective leadership. Just as an effective organisation is the most fundamental aspect of the Procurement mojo, so too is effective functional leadership the keystone of building an effective Procurement organisation; because a fish rots from the head down.

Leadership is the glue that binds together the other components of an effective organisation. It is the single most important factor affecting people's motivation and performance at work. Aside from the evidence from my research in this field, my discussions with numerous professionals and my



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own career experiences bear testament to this. I will always remember my first Procurement job, working for an excellent boss, Harry Hughes. His mentoring and inspirational leadership ignited the fire of enthusiasm in my belly, enabling me to reconnect with my personal mojo. I have no doubt whatsoever that it was the most important factor in my subsequent success in improving supply management at that company. Even my immense drive and ambition, coupled with my in-depth technical knowledge, had previously been inadequate to secure lasting success in the job.

In the years to come, I would adopt the same approach in inspiring individuals and teams I was responsible for to reach beyond what seemed possible or likely. One of my fondest recollections of these experiences is Jeremy, my Purchasing and Materials Control Manager at another previous employer. Jeremy was as versed in supply management as any other middle manager I have come across; he understood it inside-out and did a good job, technically. But he left a trail of damaged relationships in his wake. And I found myself expending considerable time and energy picking up the pieces to repair those stakeholder relationships. I had to address the issue. I decided to mentor Jeremy on nurturing effective business relationships, even when his prime internal customer wanted him to flood the place with inventory against his better judgement. I encouraged him to start educating his internal customers and make efforts to build a positive brand with them.

The drastic change in the feedback I subsequently got from Jeremy's stakeholders was incredible, though not surprising. Jeremy, himself, seeing how his improved relationships created 'organisational space' for him to get on with the 'task' elements of the job, came to appreciate the critical value. When I left the company, he sent me a 'thank you' email expressing what it had meant to him to learn some of those soft skills – he described it as "...a life-changing experience." It was music to my ears, because I have always believed one of my key responsibilities as a leader is to develop people. As I mentioned earlier, it is people that do the work in organisations, not computers, strategies or anything else. Hence, our ability to develop and inspire people to exceed their 'normal' levels of capability is crucial to overall organisational success.

Anyone can try to be a good leader when things are going well and get by. If you are going to be a leader you must be clear on what you stand for, otherwise why should people follow you? Self-leadership demands the inner discipline and strength to do things because they are the right things to do, even if your actions make you unpopular.



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People often confuse effective leadership with strong leadership. Indeed, an effective leader may well be strong. But the word 'strong' can have different connotations for each of us, especially in different contexts. A strong leader might be, for instance, an individual who demonstrates strength of personal conviction but goes about achieving his or her goals with a 'big stick', bruising egos and damaging relationships along the way. I wouldn't call that effective leadership.

I once worked for a boss whose approach I found frustrating yet educative. David had joined the business as a board director responsible for supply management. He started out by hiring staff for each of the teams – Procurement; Supplier Development; and Processes and Systems – before recruiting his senior managers. He brought me in to lead the Procurement function and "...act as his second-in-command". The business investment in recruiting the Supply Chain organisation had been secured against a commitment of specific savings to be delivered. In this organisational context, where the need to achieve the task of savings delivery was paramount, David, quite rightly, had previously adopted a directive style of leadership. And, indeed, decent progress was made on the numbers front. But the price paid for that prize was the low morale, poor organisational development and misalignment within the different Supply Chain functions.

Worse still, as I came to discover subsequently, David struggled to adapt his style when the full Supply Chain leadership team was in place. This caused immense dissatisfaction for me and my peers on his first-line. His micro-management and interventionist style not only frustrated us, it also greatly demotivated the staff. They felt as if they were treated like unqualified and inexperienced people, incapable of using their knowledge and brain-horsepower to work things out themselves. I learnt this straight from the horse's mouth in the one-to-one sessions I held with my team members as I sought to build a more effective Procurement organisation and empower my people. Keeping the savings target in sight remained a priority; after all, a commitment to the business had been made, and I had been brought in to help with meeting that commitment. But the importance of balancing our focus on cost savings with building functional capability (which would enable us continue to support business needs robustly over the long term) was crucial. It was something I continuously strove to imbibe to my modus operandi, both in managing upwards in my relationship with David and in my leadership style with my Procurement team.

Being aware of one's leadership style in any situation helps provide clarity on the effectiveness of the approaches taken. For any CEO, recognising the vital importance of your people and focusing



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appropriate levels of attention on that element will be the critical ingredient of your success. You must energise your people towards the vision you have created for Procurement and its position in the wider organisation, a vision that must be shared by the majority if not all.

Providing such clarity of purpose and direction must be supplemented with;

- Deploying purchasing processes, systems and tools that are fit-for-purpose
- Adopting a robust supplier management approach
- Applying a cohesive performance management framework, that covers the three purchasing 'performance engines' – employees in the Procurement team; suppliers; and Procurement projects.

As a CEO, your own leadership is a key factor in your purchasing capability. And the effectiveness of your Procurement organisation is the cornerstone of purchasing performance success.

## By Sigi Osagie

Sigi Osagie is a leading expert on effectiveness in Procurement & Supply Chain Management. He helps organisations and individuals achieve enhanced performance growth to accomplish their goals. He is the author of the widely-acclaimed book, "***Procurement Mojo — Strengthening the Function and Raising Its Profile.***" You can follow Sigi Osagie on Twitter: [@sigiosagie](#), [LinkedIn](#), [Facebook](#), and [here](#).