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APNA SUPPLY CHAIN WEEKLY

Supply-Chain Industry's Best-Kept Secret

December 05, 2014

People Over Process

'[Procurement Mojo](#)', a book published recently has received glowing appraisals from industry experts such as Jonathan Patrick, Former European Procurement Director, Sony (*'Insightful, Illuminating, and Inspiring'*), and Ray Packe, Former Head of Global Purchasing, Marconi Plc (*"Buy it, read it, and you'll be delighted"*).

We had an hour-long conversation with the London-based author of the book, [Sigi Osagie](#), last week over Skype. He is easily one of the most good-natured, polite-to-a-fault professionals we've interacted with in a long time. What also helped the interview was that his is a classic immigrant tale of bootstrap success. He arrived in the UK as a young man and rose from poverty to hold leadership roles at some of the world's largest companies. Some of the roles he has held in the past include **Customer Supply Chain Director at Bombardier Transportation**; **Global Logistics Director at GEC-Marconi**; and **Head of Procurement & Supply Chain at BAA Airports** (now Heathrow Airport Holdings Ltd).

Mr Osagie is a Chartered Engineer; member of the Institution of Engineering & Technology (IET), the Society of Authors and the Chartered Institute of Purchasing & Supply (CIPS); and a Six Sigma Black Belt. He holds an MBA from Durham University Business School. He regularly contributes articles to publications such as Logistics Europe and SupplyChainStandard, some of which can be [read here](#).

It's All About Relationships

- [Sigi Osagie](#)



ASCW: Why the title 'Procurement Mojo'?

Sigi Osagie (SO): Mojo is the ability we all have, one that we can use to be the best in what we do. The book is about getting people to think of Procurement differently in order to really up their game.

For example, a few months ago, I was talking to a CFO, who was a prospective client, and he wanted me to create a "best-practice" procurement capability for them. I told him, "Don't chase best practices just because other companies are following them. It's far more effective to create a procurement capability that is fit-for-purpose – one that meets your business goals today, and will meet your business goals tomorrow."

What is best practice for **Apple's** high volume supply chain, for example, may not necessarily be best practice for, say, **Bharat Forge** in industrial production sourcing large capital materials of complex specifications in very low volumes like forgings or castings.

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* Figures are indicative and may differ from case to case.

These technical issues, like best-practices, are not the most critical requirements for success. Rather it's the **'soft' issues** – the people-related factors. To give you an example, a survey published by [IASTA](#) some time ago stated that almost half of procurement professionals indicated "a lack of culture that accepts Procurement as a strategic function" as the number one roadblock hindering their success.

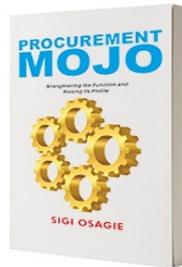
Similarly, a poll in the [Supply Management](#) magazine in July 2013 indicated that 72 percent of procurement professionals say that enhancing Procurement's profile within their organisations is a key priority for them.

Procurement people who truly excel in the job are those who sharpen their 'soft' skills and have learnt how to deal with such organisational challenges. To be really effective and successful, we must recognise that **'people'** are important. You and I are spending an hour for this talk, and instead of jumping into the interview, we spent 5-10 minutes in getting to know each other. It lays the groundwork for building a sound relationship.

So what I am trying to do is to get people to recognise that procurement success is not chiefly based on technical capabilities, rather it's based on our 'soft' skills, like the ability to connect with people and manage relationships. We do that best when we use our **mojo**, hence the title.

ASCW: How can CSCOs nurture supplier relationships in a culture which is all about costs?

SO: It is a challenge that I am familiar with, especially being an interim executive now, I sometimes get called in when clients face financial difficulties.



CPOs (Chief Procurement Officers) and CSCOs have to contend with costs challenges. But the CEO or CFO never instructs the CSCO to damage supplier relationships. If, for example, a CSCO chooses to use e-auctions in a way that hinders relationships with good long-term suppliers, then the CSCO has to take responsibility for that.

So if you know, as a senior executive, that your long-term supplier relationships are important, and e-auctions is going to damage that, then don't do it. There are effective ways to improve value. That's one of the things I've tried to demonstrate in my book using some real-life examples.

For example, at one company I worked with, the business was up for divestment and to get the target 'sale price' we had to achieve a certain **EBITDA target**. With procurement spend being the second largest expenditure after salaries, the spotlight was on us to put some money on the table.

Our target was to deliver Procurement ROI of 700 percent and we exceeded that. We achieved some of the spend value improvements through e-auctions, but we didn't do it across the board. In one category, for example, we decided to bring the supplier to the table and shared our problem with them and our preparedness for a **gain-share arrangement**. They were very supportive and worked with us to develop new approaches that improved our spend efficiency. Good suppliers do that, because in the long run it is also in the interest of the supplier that your business is viable.

Obviously, you don't want to put suppliers out of the business by grabbing all you can, and that is the mistake that some procurement people sometimes make inadvertently. Aside from harming the supply relationship you also create **supply reliability risks** by doing that.

If you're going to use e-sourcing, make sure it's underpinned by a solid business case that includes a sound feasibility study, assessing appropriate commodities and looking at the balance of costs, benefits and risks.

Ultimately, costs challenges or not, it is always vital to have a robust, structured **Supplier Performance & Relationship**



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Management (SPRM) process in place. It's the most critical conduit to nurture effective supply relationships.

ASCW: How does the CSCO of a company from an emerging economy like India plan his procurement strategy when his company expands into overseas markets?

SO: It's a good question, because it is not a pure procurement issue, it is a business issue. As CSCOs, we need to be business men and women. The more we can think about **broader issues** – political, economic, social issues – affecting our business, the better we are at our procurement jobs.

There are two aspects of the question – one is, that the supply market is a lot more globalised right now. Companies from emerging economies have unique challenges pertinent to their developing economies, and they may not be exposed to leading business practices – for example, what is the percentage of companies from emerging economies that are using SPRM or **spend analytics** compared to those in developed economies? What that means is that companies from emerging economies must expand their learning. In that sense, Apna Supply Chain is part of that dynamic, because you're helping this cause.

In Procurement Mojo, I talk about '**New World**' factors– falling telecommunications costs and the internet that have shrunk the world, and created a global village. For example, you are sitting in India and I am sitting in UK and we are having a video-chat. This wasn't so easy 30 years ago. And this New World gives CSCOs good opportunities to expand their learning. There is no reason why supply management professionals can't attend a webinar or have a **benchmarking discussion** with a colleague or a peer in another geography with modern technology.

Companies from emerging economies also need to be attuned to cultural nuances as they expand into new geographies. So if you need to be operating in Africa or Latin America, you need to know the way people there do business in terms of **marketing and sourcing**. I know that the first time I went to Asia, I had to learn the cultural nuances and had to be cognizant of that.

Another key evolution is that many large businesses have set up **international procurement offices**. Some businesses combine an international procurement branch with the international sales office, and call it a regional branch. So, on the one hand you are trying to be close to your supply market, on the other hand, you need to maintain closeness with your internal business units.

I think that the most important elements for CSCOs are to enhance their leadership effectiveness and **develop talent** in their organisations. Sharing real-life experience, coaching and mentoring are excellent ways of achieving that. Accelerating their learning also helps; and in this regard technology certainly offers good opportunities – for example, there are so many exchanges happening in forums like LinkedIn where people share their challenges and a valuable conversation ensues.

ASCW: What is an effective procurement organisation?

SO: An effective procurement organization has the five following key elements in place.

The first one is **effective leadership**. Someone who is very good at procurement but is not business savvy is not an effective leader. The leader has to know about how to sell procurement to the C-suite, how to get investment, how to inspire people.

The second key element is having **clear goals**. The number of procurement functions I see that have no objectives is shocking. Try to make your goals as SMART (Specific, Measureable, Achievable, Relevant, and Time-Bound) as possible. And make sure your Procurement objectives are aligned to your corporate business priorities.

The third key thing is **people capability**. It is about having people who have the right balance of technical skills and soft skills. You can never enhance your Procurement function successfully without building your people capability.

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The fourth one also relates to people, and is about **performance and rewards**. Some companies have reward structures where buyers' bonuses are tied to savings. Guess what, in such a case, those buyers will chase savings, and will not chase value. Sometimes giving people a pat on the back in public can be as big a motivational factor as giving them a pay rise.

The final element is **culture**. An effective procurement organization has the right culture that brings out the best in people. Create a climate that unleashes what Charles Handy called people's '**E' factors** – the enthusiasm, energy, effort, effervescence, excitement.' When people feel part of something bigger than their own role, it helps them connect with their own mojo.

Fundamentally, I see a lot of people are caught in the mindset of pure cost savings. But we complain that procurement has been reduced to become a cost-savingsfunction. I think people need to look at procurement more as '**Supply Business**'.

If you look at procurement functions that have a very good reputation in an organisation, you will see people who can connect with their **internal stakeholders**, who can build relationships with their suppliers. You can't manage properly by just being a technical geek – it is important, but it is just a qualifier. It is the soft skills that make you stand apart and excel in this function, and that's one of the key things I demonstrate in the book.♦

Sigi Osagie is a leading expert on effectiveness in procurement and 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", and can be contacted on www.sigiosagie.com

"**Procurement Mojo**" is available on Amazon and other leading book outlets. For more information visit the book website at www.procurementmojo.com

(Disclaimer: This interview has been published for educational purposes only. Apna Supply Chain has no commercial interest in the sales of the book. – Editor)

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(See you next week. - Aanand, Publisher, ASCW, +91 9920155943)

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