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Procurement success in 2015? Less focus on numbers and more on effectiveness

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When we start focusing on Procurement effectiveness things start to fall into place.

Too many Procurement functions give overriding focus to the numbers, an understandable trait given that we operate in a numbers-driven commercial world. Even in organisations with leading purchasing practices, Procurement success still typically imbibes the amount of savings delivered. When we focus too much on the numbers we fail to leverage the power of our collective imagination and converged effort when channelled towards building sustainable capability.

Think about the power of Bill Gates's vision of a PC on every desk way back in the early 1980s, and how that vision (not merely the projected sales revenue!) propelled Microsoft to a position of dominance and long-term success in its sector. Or think about the Apple team that developed the iPhone and brought it to market, a product that revolutionised the mobile phone industry; do you think they were inspired by the number of handset sales predicted or the vision of their game-changer product?

Some Procurement functions get hung up on other things – processes; tools; contracts; strategy; how much spend they have under control; the department's name; and so on. The name of the profession or the department, the functional strategy, the organisational structure, the enablers (processes, systems and tools), the cost savings we deliver... are all important to varying extents. And they require corresponding levels of our attention, along with other aspects of 'the purchasing job'. Most of these issues come with the territory, so to speak.

But we must recognise that they are all subsets of the Procurement mojo – that special spark, an amalgamation of these and other subsets that creates long-term sustainable success when pursued coherently.

All told, recent evidence does indicate that more and more organisations are starting to recognise the importance of effective purchasing and its potential strategic value. But only a small proportion is able to leverage that value. No doubt, the global recession forced many organisations to accelerate the pace at which they build a comprehensive understanding of how they can gain that leverage.

It is a fantastic opportunity for Procurement – Procurement functions can find their mojo at the very time others want us to; we can exploit the focus Procurement is getting under the spotlight in these times. But to do that Procurement people must imbibe a different ethos to our own perspectives on our functional role and how we go about gaining success in that role.

For starters, we must put aside our conventional beliefs of what is important in the purchasing job. We can begin by learning from our own organisational existence as a function. The issues that prevent most Procurement functions from achieving long-term sustainable success are not the technical issues we traditionally focus on. Rather, they tend to be the 'soft' issues, the very issues most of us give inadequate time and attention to.

For instance, the critical challenges I mentioned earlier – functional leadership skills, staff competency and stakeholder relationships – are significantly more vital to success than factors like sourcing strategies, purchase-to-pay (P2P) processes or e-auction platforms. The overriding consensus from relevant studies demonstrates that Procurement capability and success relates directly to the calibre of leadership and people capability in the function.

My experience with various organisations and discussions with peers support this. These 'human factors', more than anything else, are the underlying attributes that drive performance. Of course, 'performance' is multi-faceted. So delivering sustainable performance success requires a holistic approach, one that imbibes these critical human factors or soft issues as well as other more technical aspects like Procurement systems and tools.

The key to this holistic approach is the overarching goal of enhancing Procurement effectiveness – giving prime focus to doing the right things to achieve the performance success we want. The conventional efficiency measures we focus on as indicators of performance are always reflections of the past; we have already made the input effort and witnessed the output. Focusing on effectiveness, instead, forces us to question the actions we are taking in the present, today, and how they relate to the end-goals we are pursuing.

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Sigi Osagie writes and speaks on leadership; organisational effectiveness; supply chain management; personal effectiveness; change management; and Africa. A former senior executive with several blue-chip multinationals, Sigi draws on insights from his atypical life story and career success to inform and inspire readers and audiences through his writing and speaking.



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