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Procurement: Strengthen procurement and raise its profile

In a technology- and process-driven world, we sometimes forget that people do business with people, says author Sigi Osagie. Organizations would do well to focus on the soft issues that can enhance their activities, or hold them back.

By Bob Trebilcock, Editorial Director

January 05, 2015

“For most organizations, the single largest or second largest area of costs is procurement from suppliers. Even in boom times, savvy enterprises are constantly looking for ways to optimize procurement spend to boost profitability. Averting fraud and other business risks, such as the recent horsemeat scandal, is another reason smart organizations strive to enhance their procurement capability; however, only a minority of organizations are able to achieve this. Many procurement practitioners are beset by organizational challenges – ‘soft’ issues – and struggle to incorporate effectiveness to their functional activities ...”



Sigi Osagie, author of *Procurement Mojo: Strengthening the Function and Raising its Profile*.

So says [Sigi Osagie](#), author of *Procurement Mojo: Strengthening the Function and Raising Its Profile*. Based in London, Osagie is the former Customer Supply Chain Director at Bombardier Transportation. Prior to that, he was Global Logistics Director at Marconi plc. Today he is a successful interim executive, consultant, coach, and author who specializes in transformational improvements in procurement, supply chain management, and leadership and organizational effectiveness.

Published last September, *Procurement Mojo* teaches readers how to apply personal and organizational effectiveness to the procurement job. Think of it as *The 7 Habits of Highly Effective People* for procurement professionals. You can read an [excerpt here](#). Meanwhile, I recently had a chance to speak with Osagie.

SCMR: Sigi, thank you for taking the time to talk to us. Maybe we should start by asking, where does the idea of Mojo come from?

Osagie: That’s a good question, Bob. Mojo is about success – our ability to be successful. It relates somewhat to my own journey to achieve success. I have a fundamental belief that we have one life to live and we owe it to ourselves to make the most of that life. When I arrived at London’s Heathrow Airport as a young immigrant lad from Africa I had only a few pounds in my pocket but I was determined to make a success of my life. I delivered pizzas, cleaned pots in restaurants and did other menial jobs to eventually fund my education. Throughout this period and as my corporate career developed, I was always interested in success, i.e., what distinguishes people who get to the top of their game from others. What, for instance, distinguishes a Warren Buffett from the rest of the investment world, or a Michael Jordan or Julia Roberts from the rest of the pack? I was interested to learn this for my own success. That initial interest ultimately led me to do my MBA research on ‘leadership effectiveness and organizational performance’ – looking at how leaders get a company like P&G at the top of its game for the long term.

I applied what I learned from my research to my own career, and also learned from my work experiences. That’s what Mojo is – our ability to be the best we can be and be successful at what we do. It’s about understanding ourselves firstly – what gets our juices flowing, and then learning to take the right actions to create success.

From the January-February 2015 Issue

As long as there have been boats and beasts of burden, intrepid business professionals, governments, and marauders have sought fame, fortune, wealth, and value by going global. Think the Phoenicians, Marco Polo, and the Vikings in days of old. Or in contemporary times, think of China, BRIC, EMEA, and other emerging markets. One could argue that outsourcing to China a few decades ago gave birth to supply chain management as we think of it today. This month we’re including an online bonus column from APQC. While this issue focuses on global management, we didn’t want to miss out on the column.



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SCMR: Why did you write this book?

Osagie: First, in my experience of delivering change programs in Procurement and Supply Chain functions, I repeatedly found that my success was not based on my technical knowledge but on my abilities to align people. And then some time ago, I gave a series of keynote speeches on 'Enhancing Procurement Effectiveness' for CIPS, the [Chartered Institute of Procurement & Supply](#). The clamour from the audience who wanted a copy of the slides or wanted to talk to me afterwards was incredible. Following a request from the CIPS folks, I agreed to write an article on the theme of my talk.

I started to write the article on a flight from Johannesburg to London. As I structured the article, I recalled my own experiences – that my success at work was always based on 'people'. The more I thought about it, the more I realized that the massive interest delegates at that CIPS talk and others had shown was a reflection that many procurement people were keen to discover how to up their game and gain success. As I wrote the article, it became clear to me that this more than an article – there was a book here. So I started writing the book as soon as I got back to London. You could say I listened to my Mojo!

SCMR: Procurement does seem to be seeking a higher visibility within the organization. Why has spend become so important?

Osagie: I think it relates three primary factors. The first is what's happened in manufacturing over the last few decades. In the past, a manufacturer like GE, for example, was vertically integrated. Today, a lot of the goods and services such businesses previously provided in-house are now purchased from suppliers externally. Businesses are outsourcing so they can concentrate on what they're good at. As more operational activities move to external suppliers, smart businesses have realized how significantly their purchasing spend can impact their profitability and financial health, and they are trying to leverage that.

Another factor is that corporate social responsibility is increasingly becoming a bigger issue. And it's not just for social reasons; there can be huge financial and reputational impacts also. For example, some clothes retailers suffered these problems when customers boycotted their products because their suppliers were paying slave wages. A large toy manufacturer headquartered in USA had similar problems when their supplier used lead-tainted paint on some products. Here in the UK, we just had a horsemeat scandal with some supermarket chains. So it's no longer just about finding the supplier with the lowest cost: You have to make sure that your suppliers are aligned with your corporate values since their products end up in your products or value chain. This is raising the importance of supply chain management and the related supplier spend.

And then, there is the global recession that we've just gone through. It forced people to squeeze more out of every dollar they spend. Savvy businesses realize that if they can get these supply management things right, they can get a significant competitive advantage from their procurement. They're waking up to the impact procurement can have, not just on finances but also on their reputations and value chain capability. And that's only going to grow going forward.

SCMR: In Procurement Mojo, you write that a lack of understanding of the softer issues of business are holding many organizations back. What are the softer issues of business?

Osagie: That's a key part of my message, not just in the book but also when I walk into a client's business. As a consultant, I'm sometimes called in to be an interim executive, such as a supply chain or procurement director, in order to fix a problem like getting procurement processes back on track. What I have found throughout my career, and the research that I mentioned earlier, is that what distinguishes people who are truly successful is not their technical ability but a whole plethora of intangibles. One is their ability to be true to themselves and challenge themselves to be the best they can be. Another is their ability to interact with, inspire, engage and calibrate other people in the right way. These 'people' issues are the critical issues. Procurement people who are really brilliant at the job aren't just technically competent; what sets them apart is their ability to align people to the procurement agenda and manage relationships. One of the evolutions I suggest is that people in procurement not think about their finance or engineering or manufacturing colleagues as stakeholders. We have to think of them as internal customers; after all, every user of externally-supplied goods and services across the enterprise is a customer of procurement. Procurement has to understand them better and engage with them more effectively – 'connect' with these folks at an individual or emotional



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level.

I like to say that people don't do business with other businesses; they do business with other people. Procurement is a people-centric game; so our ability to navigate 'people' issues – the soft issues – is critical to success. Of course, technical abilities matter, like spend analysis or strategic sourcing; but these skills are just 'Qualifiers' – they qualify you to play in the purchasing sandpit. The thing that will truly up your game is mastering the soft skills; they are the 'Order-winners'.

SCMR: You're talking about managing relationships in business?

Osagie: Yes, that's a big part. For example, one of my client assignments was helping an automotive supplier that was having difficulties with on-time delivery. The Sales & Marketing Director wanted the Supply Chain guys to simply buy more material, and, in effect, flood the place with inventory. He openly expressed his huge dissatisfaction with Supply Chain because of constant customer delivery failures; he did an excellent job of going round giving Supply Chain a bad name around the place. I made a point of getting to know him as an individual so that I could align with him and his concerns. In truth, he didn't really want more inventory; what he really wanted was better fulfilment of customer orders so he didn't keep getting it in the neck from customers and paying liquidated damages. In his view the problem was inadequate stock-holding, but no one had tried to understand that view before, nor educate him on what was truly going on with the supply operations.

We subsequently transformed the supply operations and increased on-time delivery by about 25% in four months, all the while keeping people in the business properly informed of our transformation programme. That same Sales & Marketing guy turned out to be a great champion of our efforts as delivery performance improved.

So, it's the ability to understand people – first yourself, and then the people you're doing business with – and then showing them how what you do in procurement provides value to what they are trying to accomplish.

SCMR: Are the soft skills a hard sell in today's metric-driven, automated environment? Many companies are trying to take people out of the process.

Osagie: Yes and no. Yes, in the sense that how we learn conventionally, both in the classroom and on the job, has historically been focused around the technical areas. For instance, I learnt about supply management on my degree course, but no one taught me how to win friends and influence people. My first job after university was to implement MRP. And the first three months on the job were really frustrating; because I knew a lot about MRP but no one had taught me how to deal with the guy on the shop floor who had been doing his job probably since I was in diapers. My lack of ability with 'people', despite my vast technical knowledge about MRP, made me incapable of dealing successfully with the people impacted by the change the MRP implementation entailed.

So soft skills are a hard sell in the sense that our conventional approach to learning and knowledge is overly slanted towards technical issues.

At the same time, soft skills aren't a hard sell if we can view things from a corner of our brains or consciousness labelled "Common Sense". Organisations are first and foremost about people. So you could argue that it's just common sense to master people-centric competences or soft skills. I often try to get this critical point across to clients by explaining that if you take the "world-class" processes, systems and so on out of any business but leave the people in, the business will still find a way to function; after all, businesses and non-profit organisations existed before the invention of computers, e-sourcing, and whatnot. But do the reverse – take the people out and leave the computers, processes, etc., – and the enterprise will come to a standstill. Clearly, people matter most. And mastering soft skills, which are largely about 'people', shouldn't be a hard sell.

SCMR: And that applies to procurement as well?

Osagie: Absolutely. Why do so many organizations go through a procurement transformation only to find two years later that they're right back where they started from, hence another transformation ensues? It's because they don't focus adequately on the people; they get carried away with technical issues or metrics. No program is going to make you succeed. If you don't know how to manage relationships inside the organization, you're going to fail.

[Click on the link](#) to read an excerpt from Osagie's book, *Procurement Mojo*.

About the Author



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Bob Trebilcock, editorial director, has covered materials handling, technology, logistics and supply chain topics for nearly 30 years. In addition to Supply Chain Management Review, he is also Executive Editor of Modern Materials Handling. A graduate of Bowling Green State University, Trebilcock lives in Keene, NH. He can be reached at 603-357-0484.

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