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Op-Ed: Top Tips for Enhancing Procurement Effectiveness

SJ Guest Editorial

Savvy organizations recognize the power of effective purchasing, and many invest in boosting their "procurement mojo." But the majority of procurement functions today still have trouble succeeding and getting proper recognition.

As I explain in my book, "Procurement Mojo," purchasing professionals can only change the game by enhancing procurement effectiveness. Procurement functions that achieve sustainable success and enjoy high regard across the enterprise always reflect underlying effectiveness, through five critical levers.

1. Build an effective procurement organization

LOGISTICS

An effective organization is the bedrock of procurement success because it is people that do the work, so people matter most. And the most critical person is the procurement leader. An effective procurement leader is not a "purchasing geek" but a "business leader" who is adept at aligning procurement's efforts to enterprise priorities and cultivating C-suite executive relationships.

Procurement leaders must provide clarity of purpose through clear and appropriate goals–goals are the North Star around which the whole procurement function must be aligned. If you are going to do the right things to achieve desired outcomes, you must be clear about what those outcomes are. So, procurement goals must be properly defined as SMART objectives–they must be specific, measurable, achievable, relevant and time-bound.

Developing "people capability" is critical-be sure procurement has the requisite talent, people with the right attitudes and aptitudes. Talent development must include soft skills, like self-management, influencing and strategic thinking. Helping procurement staff develop their soft competencies nurtures progressive attitudes and behaviors, which creates a conducive culture for success.

2. Deploy fit-for-purpose enablers (processes, systems and tools)

Deploying enablers that are fit-for-purpose is more important than the popular quest for "world-class" or "best-inclass." Best-in-class may not always be best for your procurement function and its particular context. What is critical is that your enablers imbibe four sacrosanct principles:

- (1) Procurement enablers must be geared toward functional responsibilities and goals
- (2) Purchasing processes must make life easy for the people who use or are impacted by those processes
- (3) Purchasing processes must reflect the voice of the customer

(4) Always keep enablers simple and straightforward

When implementing new or revamped enablers, remember to involve the key stakeholders impacted by the process, system or tool. The launch of new or amended enablers should be widely publicized so people are fully aware. Finally, technology enablement is important; leveraging technology offers massive opportunities for streamlining, better governance and enhanced productivity.

3. Adopt robust supply base management

The supply base is an external component of the enterprise value chain. Managing the supply base robustly is particularly vital for the very reason that it is external. No matter how slick the internal purchasing infrastructure is, procurement will always be limited or augmented in its overall capability and performance by the capability and performance of suppliers.

Supplier performance and relationship management (SPRM) and structured risk management are the most critical requirements here. Good SPRM always includes some essential elements like well-structured supplier scorecards and periodic "Supply Business Reviews." Crucially, the supplier relationship must never be segregated from actual performance–they go hand-in-hand.

Risk management must be driven by a defined process and harmonized risk registers. A good risk register should identify pertinent supply risks, the risk probability and severity ratings, the risk priorities, and the related mitigating actions. Sound risk management, coupled with effective SPRM, accords a pathway to secure optimal value (not the same as cheapest cost!) safely, ethically and efficiently.

4. Apply appropriate performance frameworks

Great procurement performance only comes from great performance in the three performance engines:

- (i) Individuals in the function
- (ii) Specific projects or initiatives run by procurement
- (iii) Suppliers into the enterprise

Individuals in procurement must have SMART objectives aligned to procurement's goals. They should also be calibrated so that performance is not just about the numbers or hard tangible results, the behaviours and attitudes exhibited are just as important as the numbers. Likewise, suppliers must be given clarity of the expected dimensions and standards of performance desired. Procurement projects or initiatives should be managed with the discipline of project governance, including a sound communications approach.

Functional performance management starts with the procurement objectives defined up-front. These objectives must be aligned to the corporate priorities, and progress tracked with appropriate KPIs in a defined scorecard. Effective KPIs always balance the different dimensions of performance – they should indicate results achieved as regarding purchasing operations, financial contribution, internal customer fulfillment and employee development.

5. Build your procurement brand

The procurement brand is the pinnacle of procurement effectiveness; it reflects everything about procurement. Everything you get right with the other four steps helps build your procurement brand. Additionally, procurement professionals can employ certain marketing tactics, including:

 Incorporating customer-centricity in all that procurement does. Think of "stakeholders" as your customers – after all, every user of third-party materials or services is a customer of procurement

- Geting close to internal customers to develop insights on what's important to them, and educate them on procurement's value proposition beyond the traditional "cost savings"
- Developing interpersonal savvy to connect with individual stakeholders at an emotional level, nurture productive relationships and sell the procurement agenda through persuasive communication
- Utilize astute PR to propagate a positive image of procurement, e.g., through stories on the intranet site or newsletters, for example.
- Remember, as a purchasing person you are a procurement ambassador. Ensure that everything you say or do creates a positive perception of procurement as a credible business partner function in stakeholders' consciousness.

Procurement success demands functional effectiveness – doing the right things to get the desired functional outcomes. The right things are not always the most popular or widely-accepted actions. Yet, if you examine instances of procurement functions achieving their mojo – delivering sustainable success for the individual, the function and the enterprise – you will find the embodiment of procurement effectiveness outlined above.

Sigi Osagie helps organisations and individuals achieve enhanced effectiveness and 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 reached at sigiosagie.com.