

➔ *It's been said often enough, but remains true – procurement people have a lot to learn about selling themselves. Specifically, all too often we achieve good things for our organisations and then fail to draw attention to what we have done. Turning the old adage on its head, we walk the walk – by making huge savings, for example – but shy away from talking the talk. As a result, those cost reductions go unnoticed and the high-achieving procurement professional goes unrecognised.*

Like it or not, evidence of saving money to the bottom line is probably the number one priority that most company bosses are looking for in their procurement team. This is the most pressing factor for success as far as most CEOs are concerned.

So on this score we need to do three things:

- Objectives and measurement
- Understand strategy
- People management

## Objectives and measurement

First, we must identify our savings objectives and delineate precisely how they are going to be measured so that we can quantify what we have achieved.

This will provide some real figures to quote. But to make them really credible, the best option is to bring a senior member of the finance team into procurement to provide critical input from the start of every project. This 'critical friend' should be encouraged to challenge assumptions wherever necessary to ensure that everything makes sense from a financial point of view.

Further, I suggest that all procurement figures should report to senior management and the board through the finance department. Our critical friend from finance is there to whip us into line if necessary when it comes to the numbers, but also to present a fair and authoritative account of procurement's achievements to the wider organisation.

My experience at a global level in several organisations, including at my last assignment at BAA, demonstrates how effective this strategy can be. Part of the problem for procurement people is that they are sometimes insufficiently aware of the need to quantify what they do. In my experience this is because they tend to be action-orientated and don't naturally want to spend time analysing the outcomes of their initiatives before moving on to the next project.

The result is a 'sign-and-forget' culture which ignores the analysis – and, consequently, means we fail to gain recognition for our achievements.

## Understand strategy

The second major requirement CEOs might have of procurement leaders is the ability to understand and support the strategic objectives of the organisations in which we work. Business alignment is crucial to a fully successful procurement team if it is to win recognition at the top table.

An important element in achieving full business alignment is for procurement to be able to forge productive relationships with colleagues in other parts of the organisation so that we are able to offer solid support to help them achieve their objectives.

This could mean, for example, identifying the key contract requirements needed to ensure that purchasing by business

## SUMMARY

Procurement executives need to be ambitious, and that means understanding what the thinking is at board level. Larry Beard identifies three essential ingredients that CPOs must have if they are to successfully satisfy the CEO – performance measurement, business alignment and people management. Successfully address these three areas and CPOs will be a long way towards a successful procurement operation.



Illustration: Tim Kirby

units is effective, or analysing supplier risks that could adversely affect them.

We need to show that we can help our colleagues tackle their problems. It may be a slow process to build that credibility, but, over time, it will lead to procurement being seen not as a policeman but as a valuable resource. The mark of success is when people come to you wanting you to help them, not through any mandate from on high, but because they know you have the skills and expertise to help them deliver.

We need to explain to other parts of the business what procurement does and get them to understand that we can do more than just look at price. That sets the scene for engaging with them to understand how procurement can support the delivery of their business objectives.

I find that, contrary to what you might expect, people are not hostile to this kind of approach. You may be going into their territory and explaining your plans, but, more importantly, you are also attempting to find out what their plans are in the longer term. You will almost certainly be able to offer insights into future developments that might directly affect them – legislation, for example, emerging technology or market trends.

It is vital that procurement people avoid speaking purely in their own professional language, valuable though that is in our own discussions. They have to speak the language of those ➔

## Ways to achieve buy in

Performance	This should be reported as an effect on EBITDA (earnings before interest, taxes, depreciation and amortisation).
Reporting	Purchasing is typically used to reporting figures annually, but finance works on a monthly and quarterly basis and annual figures may not show procurement's performance at its best.
Results	Board-level executives will be interested in how savings have been realised. They want to know about concrete and quantifiable results.
Codes	Use profit and loss general ledger codes (P&L GL), the standard codes used by finance departments to report company figures, instead of category codes.
Recurring savings	Any year-on-year recurring savings should be made visible, through rebates, for example, so that the savings can be clearly recognised each year.
Cost avoidance	Savings achieved by merely avoiding price increases from suppliers are viewed as false money and if reported may have a damaging effect.

they want to communicate with, understand their strategic objectives and identify the ways they can help deliver them. It's all part of looking through the lens of the business as a whole, not just seeing things from their own point of view.

### People management

Finally, the third major issue I believe CEOs are looking to procurement to deal with is mastering the soft skills of people management within the organisation and within their own teams.

This is, to a large extent, about inspiring people with confidence. Like most business functions, and perhaps more than some, procurement is not only about technical ability and commitment but also, crucially, about interpersonal skills.

We need to recognise that people in our teams want to succeed and that our support is vital, and the key is positive reinforcement for excellent work. So after a successful presentation, for example, a "well done" can go a long way. Such skills are absolutely vital to successful executives in all functions and team leaders have a duty to ensure that aspiring procurement professionals are not allowed to fail. During my career I've been fortunate enough to have experienced life in many sectors. Naturally, a CEO's needs and desires will differ from organisation to organisation, but, broadly speaking, in the public sector the cause of insomnia is likely to be associated with regulatory compliance, while in the commercial sphere the bottom line and company growth are the usual demons.

It's all a question of psychology – understand what the big concerns are and you can go about putting the CEO's mind at

rest. To some extent it's about educating top management about what procurement can do, but, more importantly, it's about producing results.

In my first procurement role at director level at the global industrial distributor Premier Farnell, I quickly realised that the business was failing to understand the value suppliers could bring. We set up a system of global supplier relationship managers – a first in the sector – to develop business plans with key suppliers. The key to success was to involve the CEO in the initiative. He could see how relationships between different parts of the business were developing as a result of the project and fully understood how it was contributing to growth.

Elsewhere, at motor manufacturer MG Rover, it was clear the company did not understand how to deliver procurement value. The solution was a classic "quick win to produce immediate results" strategy. We set up multi-discipline sourcing teams at the five main global sourcing offices and instructed them to identify £20m savings within 30 days. From a culture of procrastination, the CEO could see action and it worked.

At welding and cutting equipment supplier ESAB we increased the gross margin by working closely with sales (see cover story, page 32). The primary driver was the cost of steel in a rising market and by better buying and forecasting we could increase the sale price faster and higher than the rises we were having to accept. Again, the CEO could see the results clearly and quickly.

The challenge at Severn Trent Water was to move the business from a purely engineering-driven culture to one in which business decisions took commercial factors into account. The successful results-focused strategy was to introduce procurement business partners into all parts of the company to inject understanding of the concept of cost-effectiveness.

And finally, in my latest role at BAA the holy grail of visible savings to the bottom line (see *Thought Leaders*, page 39) has been achieved by introducing a senior colleague from the finance department into procurement. In the role of 'critical friend', he validates savings on a monthly and quarterly basis and reports the figures to the board in a way they can understand – allowing procurement to gain immediate credibility at the top table.

By focusing on the three essential ingredients, procurement leaders can soon start to contribute to corporate performance and strategy in a similar fashion to the examples above. The enlightened CEO knows what value truly professional procurement can bring. So by addressing the three key issues I've outlined here, procurement can win real recognition at the top level.

Once you've done that, you need to keep delivering. The ultimate outcome is that you will be recognised for your full value within your organisation and a sought-after source of business support. You'll be invited to the party instead of having to invite yourself. ■



Larry Beard has wide experience as a senior procurement executive with global responsibility at major corporations in Europe, North and South America and Asia, including BTR, Premier Farnell, MG Rover and ESAB Holdings and Severn Trent Water. His latest role was as Interim Procurement Director at BAA.