



MAKING THE JOURNEY FROM TACTICAL TO STRATEGIC PROCUREMENT

INTRODUCTION

Although leading procurement organizations become more mature every year, relationships with internal stakeholders often remain stuck in the perceptions of the past. The most common issue remains that internal stakeholders simply do not regard procurement as a true partner. If seen only as a tactical execution team, procurement won't reach its full potential. This barrier must be overcome on the evolutionary journey from tactical to strategic.

In this paper, we discuss four challenges that procurement must “answer” to achieve strategic status in the eyes of business unit stakeholders.

CHALLENGE 1: Finding the Time to Focus on Strategic Work (When Tactical Efforts Take So Much Time)

We are all busy, all the time. The question is, are we spending our time on the right tasks? Unfortunately, procurement's organizational structure often forces a focus on tactical work because of short-term urgency. There are two ways of getting past this constraint:

Option 1 – Create a separate tactical purchasing group reporting up to the procurement leader in parallel with the strategic team (e.g., Category Management).

Option 2 – Separate tactical and strategic responsibilities within a hierarchy where the tactical team reports up to the strategic team, who then reports up to a procurement leader.

Option 1 is widely preferred to ensure that the strategic team is not distracted by daily fire drills. Option 2 is less ideal since it requires rigid and carefully managed separation of responsibilities, but this may be the reality for smaller, resource-constrained organizations.

The real-life organizational transition from an as-is state to a desired future state requires multiple evolutionary phases, some of which transcend the classic needs of procurement and focus instead on the needs of the business. Ensuring alignment with business priorities also applies to the way procurement is structured.



CASE STUDY: Aligning Strategic and Tactical Work Streams

The procurement team at a leading national energy company was struggling to achieve value-based results because they were being swamped by a large volume of tactical work.

They invested in an organizational assessment and restructured to improve procurement's value impact while ensuring that transactional needs would be met quickly and relationships would be preserved.

The key objectives for this transformation were developed jointly with the lines of business to guide category teams and manage savings goals.

In addition to automating the procurement landscape and investing in broad procurement skills development, the company developed forward-looking category plans in conjunction with finance and the business units. These became the foundation of procurement's action plans and the departmental budgetary process.

CHALLENGE 2: Improving Tactical Operations

The demand for transactional purchasing support will always exist. Procurement's goal must be to find more efficient ways of meeting this demand by working smarter – not harder.

Process standardization and systems automation are the key, and efficiency should be a high priority in redesigning our transactional workflows. Starting with a root cause analysis to identify choke points and determine the highest drivers of transaction volume, procurement should look for opportunities to simplify, automate, and digitize. For example:

- **Simplify:** Redesign procurement processes with efficiency as a requirement, optimizing spend and transaction volumes and working with AP to achieve alignment on supplier billing and payment.
- **Automate:** Minimize procurement's hands-on time and reduce the risk of human error by automating ordering, invoicing, and reporting.
- **Digitize:** Wherever possible, drive the paper out of ordering, invoicing, and even supplier collaboration, allowing all efforts to live online where multiple parties can access them.

CHALLENGE 3: Developing the Procurement Team's Skills

Increasing procurement's efficiency expands resource availability but does not guarantee success in Category Management and Strategic Sourcing. The solution to this disconnect is likely to be multifaceted, combining training, skills development, hiring, centralized knowledge management, and the use of external experts. Performance incentives and compensation structures will also need to be re-examined as in-house talent is strengthened.



Training: The more “customized” a training and skills development program is, the better. This means starting with a detailed assessment of each individual as well as the overall team talent profile required to achieve procurement's new, more strategic objectives.



Skills Development: Increasing procurement's strategic capacity should strengthen existing skills and develop new ones in category management, soft skills, and strategy execution – placing an emphasis on application. In order to accelerate translation from theory

to practice, traditional lecture-style instruction should be complimented by supporting exercises, case studies, and web-based modules. In addition, templates and either coaching or mentoring should be made available to ease the transition and build procurement's confidence.



Hiring: Existing procurement resources are critical to the team's success, but there may not be enough of them and they might not be able to upskill. It may be necessary – even advisable – to hire from outside the department and outside the company to introduce new perspective. Be on the lookout for ambitious candidates with impressive capabilities, not necessarily those with traditional purchasing or procurement skills.



Centralized Knowledge Management: As the capabilities of the procurement team are elevated to match their capacity, having a knowledge capture and management program will be critical. This not only reduces organizational reliance on each individual, it also advances spend management maturity. With knowledge management, decisions and strategies can be layered on the progress of the past rather than allowing for repeated mistakes or the application of the “same old” strategies in pursuit of new results.



External Experts: If procurement is to become more strategic, maximum flexibility must be preserved, even for ensuring sufficient bandwidth. Rather than automatically creating new positions in-house or transitioning resources from other functions, procurement should use external talent and consultants to bridge the gap until the scope and details of the long-term needs are known. This also applies to specialized knowledge. The more short-term, or targeted, an area of knowledge, the better suited the need is to being fulfilled by an external expert.

CHALLENGE 4: Evolving Strategically

Strategic procurement evolution requires alignment with our business unit colleagues. The goal is to be regarded as a strategic partner by the business, meaning *your* priorities must be aligned with *their* priorities (Fig. 1). How? Earn their respect by starting with small wins, demonstrating commitment, attending their staff meetings, budget meetings, and delivering on projects to ensure their success.

Procurement can invest in talent and technology, but without the right kind of outreach organization identity suffers. Effective stakeholder management requires a disciplined approach if it is to be sustainable – starting with a solid foundation of trust. Especially when procurement's journey from tactical to strategic is a long or steep one.

Work towards small wins early on to earn trust, then build complexity and scope from there.

All processes should be made as simple and transparent as possible. It is important to be very clear from the onset of a project who will make which decisions and whose priorities (procurement's or the business') will be at the heart of the effort. Procurement must take the time to listen and understand what "value" means to the business – then work tirelessly to create it.

FIGURE 1: Thinking Fundamentally About Procurement



© 2018 ProcureAbility Inc.

CONCLUSION

When a procurement organization struggles to generate results beyond savings, they are likely stuck in a tactical role. Transactional issues seem mission critical because they allow the enterprise to operate. But in reality they are short-term and have limited impact. To reach full value potential, procurement must leverage the entire value chain – from opportunity identification to compliance and payment.

The following recommendations serve as key enablers and reminders for making the transition from a tactical to strategic procurement organization:

- **Organize your department to clearly and carefully separate the management of different tasks:** Ideally, procurement should segment tasks and responsibilities vertically, ensuring that strategic resources are not also assigned to manage transactions. Leaders should focus on the change management aspects of organizational adjustments, optimizing the skills of all team members.
- **Make a strategic initiative out of reducing tactical workload:** Use process standardization, tools, and templates to simplify repetitive tasks, automating where appropriate. Drive and measure procurement's progress by establishing metrics that capture priorities and productivity as defined by strategic objectives.
- **Train and develop your team:** The best way to generate new results is for procurement to bring together a combination of talented people with the required experience and capabilities. However, both

hiring and training are short-term fixes if professional development does not become a standard for everyone in procurement. The expectation should be set that every member of the team can always become more knowledgeable and strategic.

- **Optimize procurement's strategic value generation:** Alignment with business units is procurement's first priority. Put enhanced skillsets, such as communication, to good use by advertising and celebrating successes and crediting accomplishments to everyone involved.

ABOUT PROCUREABILITY



ProcureAbility™ transforms traditional, outdated consulting and staffing models by offering advisory and resource support on our clients' terms.

Our delivery model is unique. Clients have access to unbundled resources, plus the ability to selectively add value through leading-edge methodologies, the latest best practices, and specialized insight and advice – an approach unheard of in traditional consulting and staffing firms.

Since 1996 we've focused on procurement's success. It's all we do. For more information on ProcureAbility services, visit ProcureAbility.com or call (888) 824-8866.