

About Strategic Procurement Solutions

Strategic Procurement Solutions is a consulting firm dealing with Strategic Sourcing, Training, and Organizational issues related to procurement & supply-chain management. Robert Dunn & Mark Trowbridge are general partners in the firm, and lead teams of professionals in supporting our clients.

Visit our web site at www.strategicprocurementsolutions.com for more information or to contact us.



**“Traditional” vs. “Non-Traditional”
Commodities**, by Mark Trowbridge, C.P.M.

Successful purchasing organizations are expanding their sphere of influence to include commodities previously untouched by trained negotiators. Most purchasing departments are already responsible for their firms’ acquisition of Manufacturing Parts & Supplies, Raw Materials, MRO Items, Office Products, Transportation, Office Supplies, Forms, PC Hardware & Software, Fleet Vehicles & Maintenance, etc.

It is only recently that the value of trained supply-chain experts has begun to be realized in “Non-Traditional” arenas, like Travel Services, Temporary Labor, Commercial Printing, Creative Agency, Direct Mail, Media Buy, Glasshouse Hardware & Software, Application Software, Telecommunications, HR Benefits, Training, Professional Services, Property Management, Construction, Cross-Marketing, Sponsorship, Security Guards, etc.

The potential for success is huge. A recent study on service industries conducted by the Center for Advanced Purchasing Studies (CAPS) indicated that only 56% of “Traditional” and 16% of “Non-Traditional” goods & services are processed by typical purchasing organizations.

Successful purchasing groups are receiving great visibility with senior management by expanding into “Non-Traditional” commodity areas. The opportunities for savings in these areas are significant, as many firms have never aggressively sourced these opportunities (for example, our projects typically generate savings between 15% and 40%). Given that the majority of expenditures for many non-manufacturing firms fall into “Non-Traditional” commodity areas, expansion of Procurement’s scope of influence can be a winning effort.



Strategic Procurement Management Training,

by Robert Dunn, MBA, CPM

Strategic purchasing has become a primary concern for executive management, and for good reason. New ways of re-engineering and managing the supply chain are presenting significant opportunities for gaining, or losing, competitive advantage.

In today’s competitive environment, Procurement must assume a more pro-active role, shifting resources away from “low” value-added activities such as transaction processing & control, towards “high” value-added activities such as supply chain management, strategic sourcing, & consortium purchasing.

Industry leaders are paving the way in adopting the new paradigm. Setting new competitive standards, leading procurement organizations have achieved notable success in reducing operating costs, improving productivity, and increasing service levels.

Moving to the new paradigm requires a balanced & evolutionary training approach. Strategic training, whether developed internally or by Strategic Procurement Solutions, should encompass the following critical factors essential to a “best practices” procurement function:

1. **Process Management** – To reach world-class standards, an enterprise must logically balance the distribution of procurement functions and resources across business units. Common processes must be centralized and standardized through a shared services type model in order to maximize buying leverage and economies of scale. The architecture for customer support and operational processes must be distributed to the internal customer base in order to provide “empowered” end-user flexibility, easy information access, and powerful analysis tools. In addition, the procurement of all high-volume, low-dollar, standard items must be automated “point and click” for authorized employees.

2. **Supplier Management** – Supplier goodwill is now considered an asset on the balance sheets of corporations supporting strategic supplier alliances. Strategic training provides a pro-active approach to supplier management by delivering tools for supplier qualification, selection, performance tracking, and certification.
3. **Product & Service Management** – Organizations must consolidate their expenditure base if they are to achieve maximum cost reductions & related increases in profitability. Training must facilitate & empower product & service analysis capable of addressing total expenditures by SKU, commodity, buying unit, and supplier.
4. **Customer Management** – Selling the value of strategic procurement to internal customers is challenging, especially if procurement is perceived as being “non-responsive” or “reactive”. Procurement needs techniques for marketing its expertise. This proactive positioning of the procurement function leads to Early Purchasing Involvement (EPI), cross functional teaming, & increased customer satisfaction, while reducing overall cost.
5. **Contract Management** – Business can be conducted successfully only upon the certainty that promises will be fulfilled. Unfortunately, promises based solely upon personal honesty are not always sufficient. Skillfully writing an effective contract can seem like navigating a maze. The body of knowledge required is extensive. A sound knowledge of purchasing law is required to write an effective agreement.

The importance of the contract in business cannot be overstated. Every organization, whether large or small, must enter into contracts with its employees, its suppliers, and its customers in order to efficiently conduct its operations. Procurement training should provide a basic understanding of governing law and the strategies necessary to negotiate strong contracts.



Flex Staffing in Procurement, by Mark Trowbridge, C.P.M.

A frequent source of tension for purchasing directors is the justification of additional staff. While skilled procurement employees can usually justify their own salary within a few months of being hired, nonetheless, justifying headcount can be a political headache.

Many leading procurement organizations are moving **away from Tactical** “transaction-based” staffing models that fill positions based on finite measurable quantifiers (such as

of purchase orders issues, # of requisitions received, # of SKU's supported, etc), and moving **towards Strategic** cross-functional sourcing teams that are assembled with particular strategic objectives in mind.

This model allows management to exceed goals in a shorter time frame, using an optimal combination of resources. It also allows for a lower overall headcount. An optimally designed procurement organization combines a mixture of the following:

1. **Volume Program Administrators** - Personnel who oversee automated purchasing solutions & programs, such as B2B E-Commerce, P-Cards, Travel, Office Supplies, MRO, Forms, etc. Their goal is to seamlessly enable end users to order high-volume products & services with a minimal processing cost to the company;
2. **Transaction-Based Employees** – These employees (clerks, expeditors, buyers, contract administrators) handle daily non-standard purchase requirements;
3. **Strategic Contributors** - Every good procurement organization needs a core group of leaders (sourcing specialists & contract negotiators) who focus on long-term sourcing projects and contract negotiations for the average run-rate. As with Volume Program Administrators & Tactical Purchasing Employees, ongoing training is critical to the success of these employees;
4. **Temporary Staff** – Develop a good source for temporary personnel that have solid purchasing backgrounds. These employees can be brought on to handle seasonal or project-related peaks in standard transaction volumes (from staffing specialty organizations like Procurement Services Associates, etc.); and
5. **Outside Professionals** – Rather than staffing for the “peaks”, leading procurement organizations are now staffing for the average workload demands of their companies. Then these firms bring skilled consultants onto their teams for key strategic projects, whether organizational change, strategic sourcing, supply-chain engineering, process improvement, B2B system implementation, policy & procedure development, etc. The advantage is that consultants with specific expertise can be hired for a particular project...something that a generalist employee usually cannot provide.

Editor's Note: Strategic Procurement Solutions' objective is to provide top quality supply-chain consulting & training services to clients in the private & public sector, and to enable those clients to exceed their internal users' expectations regarding promptness, price, and quality. One means of doing this is through this quarterly educational newsletter, which will quarterly provide articles about “Best Practices” in procurement. Contact us through our web site at www.strategicprocurement.com for more information about our services, or if you do not wish to receive this newsletter in the future.