

Business, Strategy, and Management Classics That Have Influenced the Discipline of Procurement

According to Mark Twain, a classic is a book which people praise and don't read.¹ Italo Calvino states, "A classic is a book that has never finished saying what it has to say."² I like to think of a classic as a book that introduces a set of ideas or a concept that is original, influential, and remains relevant to this day. The classics listed here are those works that have strongly influenced the discipline of business management, and in turn the discipline of procurement.

Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, (1776)

This classic "did for economics what Newton did for physics and Darwin did for biology. It took the outdated, received wisdom about trade, commerce, and public policy, and re-stated them according to completely new principles that we still use fruitfully today."³ According to Kate Vitasek, writing for *Supply & Demand Chain Executive*, Adam Smith "outlined a basic theory of international trade: 'If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry employed in a way in which we have some advantage.'"⁴

Charles Babbage, *On the Economy of Machinery and Manufactures*, (1831)

Charles Babbage is often referred to as "The Father of Computing" for his invention of the first automatic calculator. His classic book on management "provides evidence that purchasing was established as a separate industrial function well over 100 years ago." The importance of the purchasing function is mentioned as well as "a materials man [who] selects, purchases, receives and delivers all articles required."⁵

Frederick Taylor, *The Principles of Scientific Management*, (1911)

Many consider this the most influential book on management ever published. This classic, controversial at times, introduced a scientific-based managerial technique for eliminating inefficiency. Fred Sollish and John Semanik, in the first edition of *The Procurement and Supply Manager's Desk Reference*, state that Frederick's bottom-up approach "gave rise to the assembly line and, eventually, the time-in-motion work standardization method. This also led to the centralization of the planning and control functions in the hands of managers, allowing for the additional specialization of the management function."⁶

Dale Carnegie, *How to Win Friends and Influence People*, (1936)

This classic is the original self-help book which provides advice on how to conduct yourself so people will like you. It is based on public speaking courses taught by Dale Carnegie to help professional people be more successful in business. Dr. Laura Birou states "the practice of influence is as old as mankind" in her ISM conference abstract entitled "Buying Under the Influence." Dale Carnegie "was able to synthesize techniques fundamental to influencing others."⁷

**Business, Strategy, and Management Classics
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Alfred P. Sloan, *My Years With General Motors*, (1964)

This personal memoir describes the strategies Mr. Sloan used to build GM into what at that time was the world's largest and most successful industrial company. According to CIPS (Chartered Institute of Purchasing and Supply), Sloan referred to his experience with MRP (Material Requirements Planning) type calculations in his famous book.⁸

Michael E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, (1980)

This highly influential book has transformed the theory and practice in the field of business strategy. Porter identifies five forces that shape competitive advantage: 1) threat of new entrants, 2) bargaining power of suppliers, 3) threat of substitute products, 4) bargaining power of buyers and 5) intensity of rivalry among competitors. "The Porter model allows us to understand procurement from the perspective of the competitive forces he identified."⁹

Roger Fisher and William Ury, *Getting to Yes: Negotiating Agreement Without Giving In*, (1981)

Getting to Yes is based on the work of the Harvard Negotiation Project and focuses on negotiations that meet the needs of both parties. Getting to Yes "should be mandatory reading for all supply and procurement professionals. It is based on long-term relationships between the buyer and the seller—not a short-term advantage of one over the other, but in true partnership seeking to reduce cost and improve value and performance."¹⁰

Michael E. Porter, *Competitive Advantage: Creating and Sustaining Superior Performance*, (1985)

In this book Porter introduces the value chain, which is a concept that helps in analyzing the specific value activities of a company. The value activities are divided into two broad types: primary and support. Primary activities include: Inbound Logistics, Operations, Outbound Logistics, Marketing and Sales, and Service. The support activities are: the infrastructure of the firm, human resource management, technology development, and procurement.

**Business, Strategy, and Management Classics
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W. Edwards Deming, *Out of the Crisis*, (1986)

Deming is regarded as the leading figure on quality. Here he offers a theory of management based on his fourteen points for management. Robert Menard, professional purchasing trainer and speaker analyzes the fourteen points and how they influence purchasing in particular. He signals out point four as the most important for purchasing professionals. "Deming mentions total cost (TCO for purchasing purposes) but also cites the value of long-term, single source supplier relationships. The loyalty and trust qualities imply partnering relationships."¹¹ Kelly Barner also discusses Deming in one of her posts on Buyers Meeting Point. "More and more, the idea of managing risk is popping up as an area where procurement needs to step up and expand their reach and qualifications. But risk is not just supply unavailability, it is supply quality as well."¹²

Michael Hammer, *Reengineering the Corporation: A Manifesto for Business Revolution*, (1993)

The reengineering revolution hit hard in the 1990s, and this was the "must read" book by the leading reengineering guru. Not only were corporations jumping on the reengineering bandwagon, so were departments within organizations, such as procurement. Ben H. Laaper, author of Procurement Reengineering, wrote in 1996, "In order to gain not only respect, but a real purpose, let alone control, purchasing must re-invent itself and transform from a function into a process."¹³

Daniel Goleman, *Emotional Intelligence: Why It Can Matter More Than IQ*, (1995)

In this book, Daniel Goleman popularizes the term "emotional intelligence" (EI) and argues that it is a better predictor of human success than IQ. The importance of emotional intelligence in the workplace is still a topic that appears regularly in business literature. It also plays a significant role in successful negotiations. "A common application of EI techniques in procurement has been in negotiation. The ability to control your own emotions, and understand the motivation and empathise with the other side can be a powerful tool."¹⁴

Robert S. Kaplan and David P. Norton, *The Balanced Scorecard: Translating Strategy Into Action*, (1996)

The Balanced Scorecard introduces a form of measurement that is more complete than financial measures. The four perspectives of the scorecard are financial measures, customer knowledge, internal business processes, and learning and growth. GEP's Santosh Nair writes that in managing procurement performance, the Balanced Scorecard "is a performance measurement framework that adds strategic non-financial performance measures to traditional financial metrics and provides a more 'balanced' view of organizational performance.... Deploying this approach shifts organizational focus (resources, processes, systems) towards activities that truly have an impact."¹⁵

**Business, Strategy, and Management Classics
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Thomas Friedman, *The World is Flat: A Brief History of the Twenty-first Century*, (2005)

Thomas L. Friedman's 2005 book "drives home the message that not only have resources, markets, and competition become truly global, they have become so on an increasingly level playing field."¹⁶ Today, one of the most written about topics in the procurement world is how open global markets have increased opportunities while at the same time creating greater risk.

Karen Berman and Joe Knight, *Financial Intelligence: A Manager's Guide to Knowing What the Numbers Really Mean*, (2006)

This book covers the importance of financial literacy for everyone. "Good news for the faint of heart when it comes to numbers: financial literacy isn't Accounting 101, and it doesn't presuppose any financial knowledge. Rather, it means understanding a little about how the financial folks operate, and where their numbers come from."¹⁷

The Books of Peter Drucker

There is a reason why Peter Drucker is known as the father of modern management. Drucker introduced many new ideas that were icebreakers at the time and are still relevant today. Drucker introduced the concepts of decentralization, workers as assets, customers as being number one, and the contributions of the knowledge worker "long before anyone knew or understood how knowledge would trump raw material as the essential capital of the New Economy."¹⁸

NOTES

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7. Laura Birou, "Buying Under the Influence," (ISM Conference 91st Annual International Supply Management Conference abstract proceeding, May 2006), <http://www.ism.ws/files/Pubs/Proceedings/JCBirou.pdf>
8. "Materials Requirement Planning (MRP) Overview," CIPS, accessed July 10, 2014, <http://www.cips.org/Knowledge/Procurement-topics-and-skills/eCommerce---systems/MRP--CRP-/Material-Requirements-Planning-MRP>

**Business, Strategy, and Management Classics
That Have Influenced the Discipline of Procurement (continued)**

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10. Jack Barry, "Fact Based Negotiations," Accenture Academy, accessed July 13, 2014, https://www.accentureacademy.com/~Blog/Fact_Based_Negotiations/comments.aspx?GoBackTo=1902F0FB
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13. Ben H. Laaper, "Why and How to Reengineer the Purchasing Process," (ISM 81st Annual International Supply Management Conference proceeding, 1996), <http://www.ism.ws/pubs/proceedings/confproceedingsdetail.cfm?ItemNumber=10061>
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16. "The History of Strategy and Its Future Prospects," A.T. Kearney, January 2014, http://www.atkearney.com/procurement/ideas-insights/featured-article/-/asset_publisher/4rTTGHNzeaaK/content/the-history-of-strategy-and-its-future-prospects/10192
17. Joe Knight, "The Art of Finance—And Why It Matters," (ISM 95th Annual International Supply Management Conference proceeding, April 2010), <http://www.ism.ws/files/Pubs/Proceedings/2010ProcFIN1-FIN2-Knight.pdf>
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