



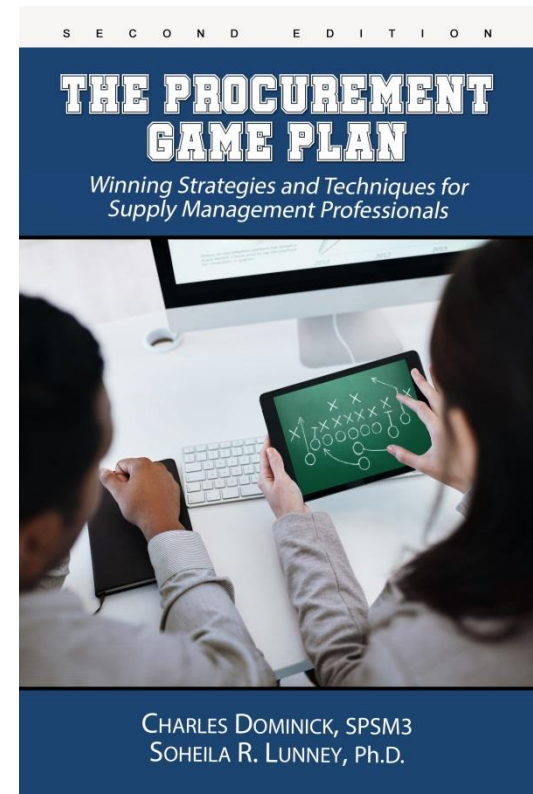
# ***The Procurement Game Plan***

**Strategic Procurement Management**

The material presented in this module  
is based on:

**The Procurement Game Plan**  
Winning Strategies and Technique for  
Supply Management Professional  
Second Edition

By: Charles Dominick SPSM3 &  
Soheila R. Lunney, Ph.D.





# **Module 1**

## **How to Develop a Winning Procurement Strategy**

**(Chapters 1 – 4)**


## Course Objectives

- Understanding a procurement department's role and importance in an organization
- Recognizing all aspects of a modern and comprehensive procurement strategy
- Applying principles to develop a procurement strategy that supports organization's overall strategy
- Recognizing the importance of social responsibility in procurement

# Chapter 1 - Positioning Procurement in an Organization

- The importance of Procurement
- Expectations and Goals of Procurement
- The Expanding Role of Procurement
- Strategic vs. Tactical Procurement
- Procurement as a Profit Center, Link in Supply Chain, and a Service

# The Importance of Procurement



***Why do you think  
Procurement is important  
to an organization?***

- ✓ Take 5 minutes to list your answers
- ✓ Class discussion



# The Importance of Procurement

**Procurement has an important role in an organization to:**

- **Manage the Organization's Spending**
- **Support Operation/Manufacturing**
- **Protect the Organization from Risk**
- **Create a Competitive Advantage**

# Management Expectations of Modern Procurement



***What does company  
leaderships EXPECT from  
a Procurement/Supply Chain  
Department?***

- ✓ Take 5 minutes to list your answers
- ✓ Class discussion





# Management Expectations of Procurement

- Cost Reductions
- Productivity Improvement
- Brand/Differentiation Support
- Customer Satisfaction
- Positive Cash Flow
- Efficient Service
- Competitive Advantage
- Generating Revenue
- To be the Best

# What are the Characteristics of a Modern Procurement Department?

- To whom should the head of procurement report?
- Procurement & organization's strategic plan
- Early stages of product/service development
- Nontraditional areas of buy
- Tactical vs. strategic role
- Inventory Mgmt, logistics, contract Mgmt,...
- Maverick buying
- Technology and procure-to-pay (P2P) process
- Cross functional teams
- Diversified supplier base
- Sustainability & social responsibility

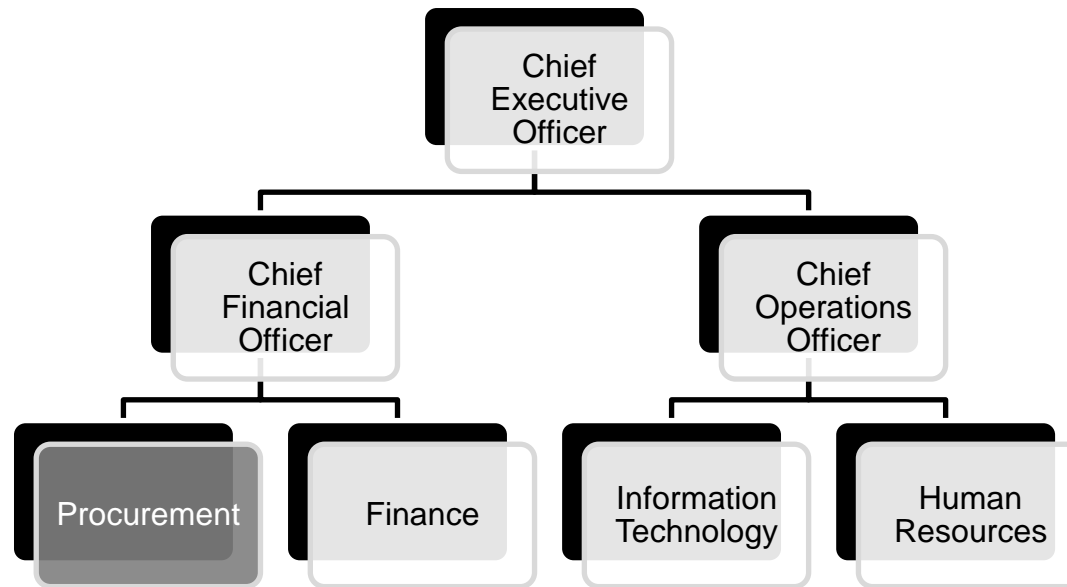
# Procurement Goals



- **Procurement goals can vary among different industries and geographies**
- **The BEST goals are tied to the strategy and goals of the overall organization**

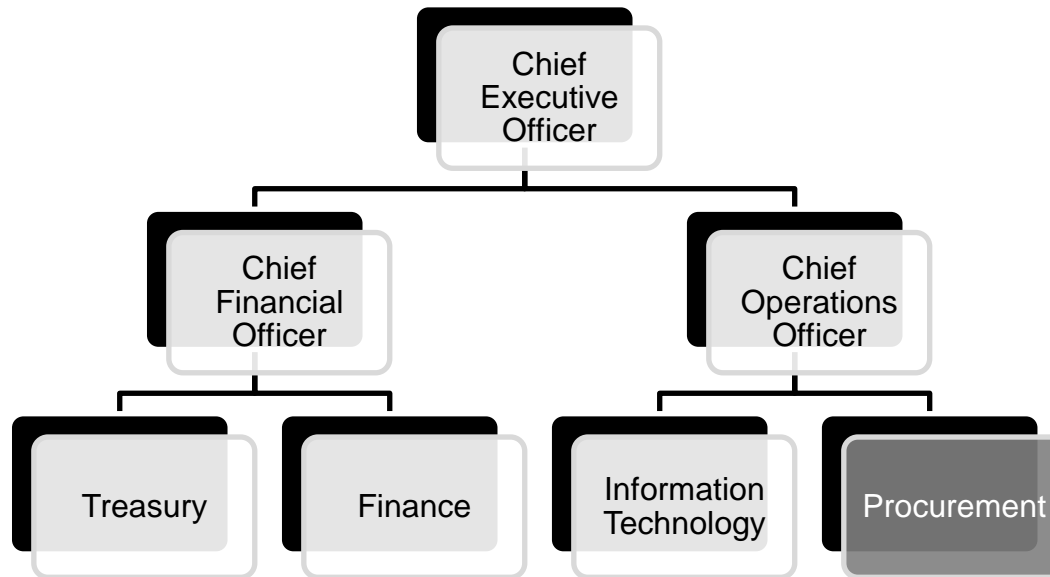
# The Expanding Role of Procurement

- To whom should procurement report?
  - Chief Financial Officer (CFO)
  - Chief Operations Officer (COO)



**Organizational chart with procurement reporting to CEO**

# The Expanding Role of Procurement – Cont.




**Organizational chart with procurement reporting to COO**

# The Expanding Role of Procurement – Cont.

- Alignment of objectives with organization's goals demands expansion of the role of modern procurement leaders
  - Effective leadership & being a change agent securing top-level management support
  - Solid procurement knowledge
  - Analytical skills (financial and operational)
  - Negotiation and contract execution and law
  - Advanced computer expertise
  - Project management
  - Relationship building

# Strategic vs. Tactical Procurement

**Minimizing tactical work and spending more time on initiatives that produce measureable and meaningful outcomes results in transforming to strategic procurement**



***List some tactical and Strategic initiatives & compare differences***

- ✓ Take 10 minutes to list your answers
- ✓ Class discussion

# Procurement as a Profit Center

Modern Procurement departments are transforming from **Cost Centers to Profit Centers.**

## Procurement *Profit Center* Models:

- **Model 1** – Procurement reports savings
- **Model 2** – Procurement reports savings against its budget and may negotiate volume rebates
- **Model 3** – Parent company's procurement markets itself to various divisions or subsidiaries of the company
- **Model 4** – Procurement has proven its value to the organization and is ready to sell its expertise to other companies



# Procurement as a Service to the Organization

## 7 Highly Effective Service Principles...

- Involve your internal customers
- Document and share your action plan
- Under-promise and over-deliver
- Update customers regularly
- Express concerns immediately
- Don't make excuses
- Follow up & regularly communicate

## Chapter 2 – Setting a Procurement Strategy

- SWOT Analysis
- Developing a Procurement Game Plan (Exercise)
- Procurement Organizational Structure
- Cost Control
- Risk Management
- Playing within a System

# What is SWOT Analysis?

- SWOT stands for Strengths, Weaknesses, Opportunities, and Threats
- SWOT analysis is the starting point of strategic planning
- Strengths & Weaknesses – Internally focused
- Opportunities & Threats – Externally focused
- SWOT – a powerful tool for developing a **Game Plan**

# SWOT Analysis

SOURCE	Internal	<b>Strengths</b>	<b>Weaknesses</b>
	External	<b>Opportunities</b>	<b>Threats</b>
		Exploit	Mitigate
ACTION			

# Procurement Game Plan – A Selling Document

## Components of a well documented Procurement Game Plan (business/strategic plan)...

- Table of contents
- Executive summary
- Problem & Solution or Opening & Ideas
- Operational plan
- Team
- Financial plan
- Return on investment
- Conclusions



# **Procurement Game Plan**

## **Exercise**

### **Developing a Procurement Game Plan**

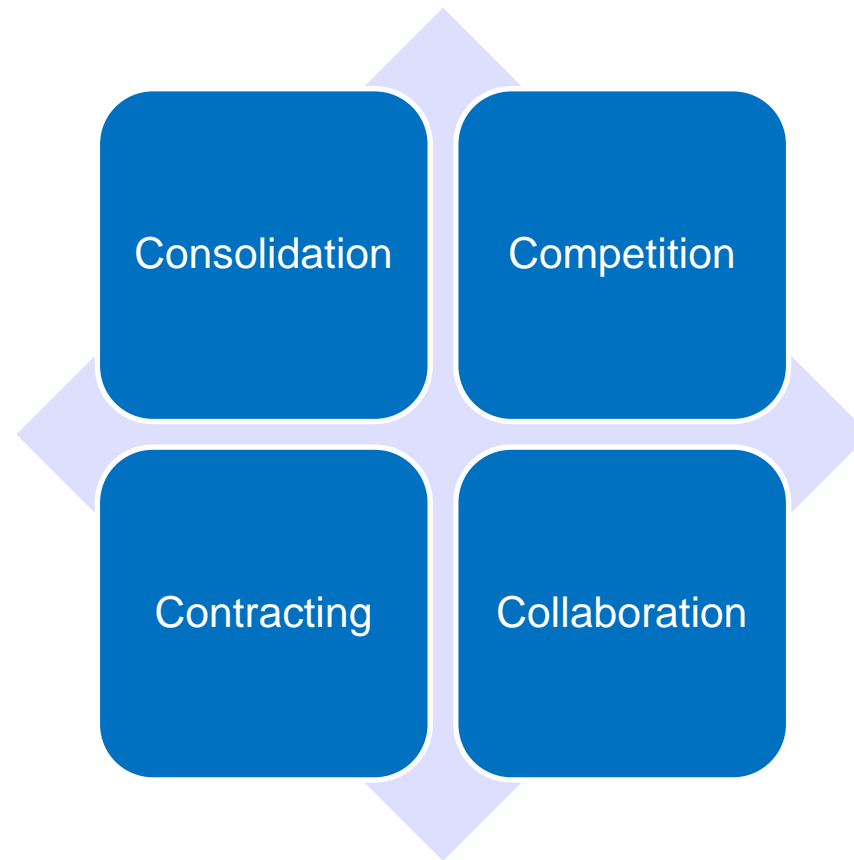
# Procurement Organizational Structure

## Centralized vs. Decentralized

	Centralized	Center-Led	Decentralized
<b>Structure</b>	Central purchasing unit makes all sourcing decisions	Central team creates policies that purchasing staff leverages at business unit levels	Business units conduct all sourcing activities independently
<b>Process</b>	Central purchasing unit conducts all steps in purchasing, strategic as well as tactical	Business units follow standard practices and policies under central team's supervision	Business units work in silos and do not leverage purchasing of common commodities or share business practices
<b>Performance Tracking</b>	Central purchasing unit tracks spend compliance and performance	All business units use standardized metrics with options for customization	Metrics and standards of performance measurement vary across business units

# Cost Control

Does Cost Control have 2C's or 4C's?





# Risk Management

- Supply Continuity Risk
- Public Relation Risk
- Legal risk



***What are some examples  
of Public Relation Risk?***

- ✓ Take 5 minutes to list your answers
- ✓ Class discussion

# Playing within a System

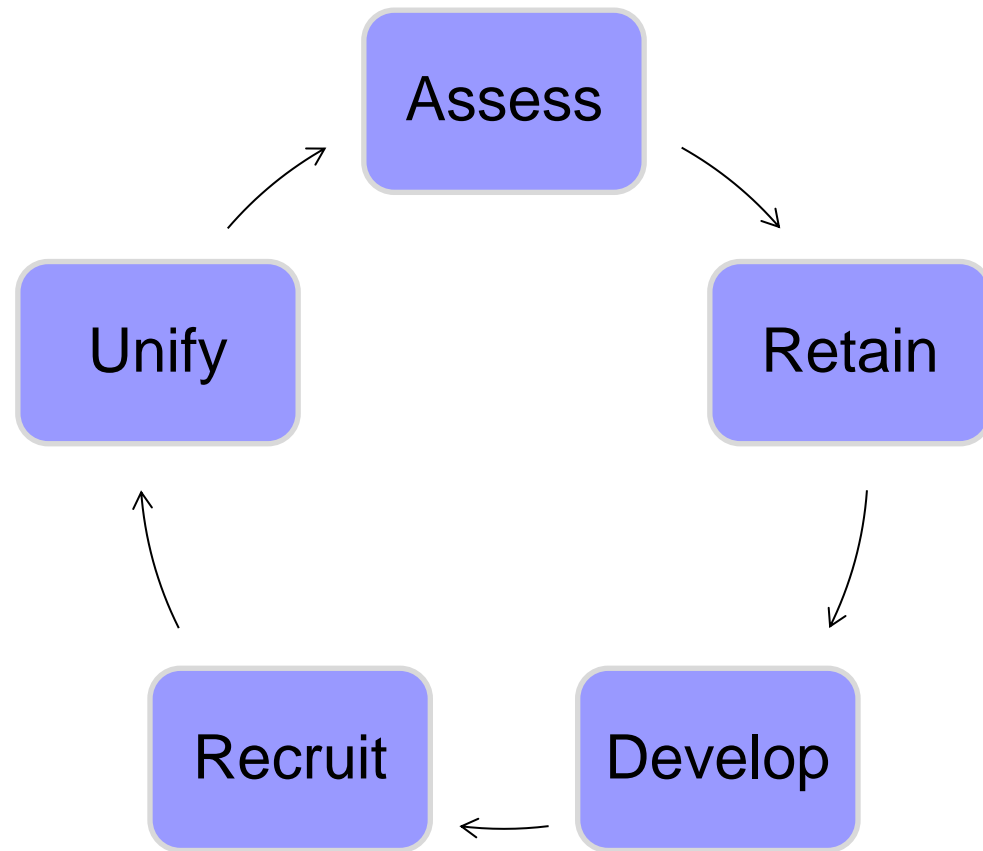
Performing in accordance with documented guidelines...

- Documented processes with checks and balances
- Standard supplier selection criteria
- All-hands meetings
- A procurement library
- Supplier guides

## Chapter 3 – Procurement Talent Management

- Assessing Procurement Talent
- Retaining Procurement Talent
- Developing Procurement Talent
- Recruiting Procurement Talent
- Unifying Procurement Talent
- Measuring Talent Management Success

# Facets of Procurement Talent Management Cycle



# Procurement Professionals

## Recruiting the right employees...

### ■ ***Today's skill sets vs. historical***

- Interpersonal communication
- Strategic thinking
- Value oriented
- Financial acumen
- Computer savvy
- Relationship Management
  - Internal
  - External

# Measuring Talent Management Success

## ■ ***Performance Metrics***

- Cost and time to hire
- Retention & turnover rate
- Training spend
- Other metrics?

## ■ ***Observations***

- Working quality (customer satisfaction)
- Employee engagement
- Absenteeism
- Quality of new-hire and failure
- Others?

# Chapter 4 – Social Responsibility in Procurement

- Procurement Ethics
- General Procurement Social Responsibility
- Sustainable Procurement
- Supplier Diversity and Inclusion

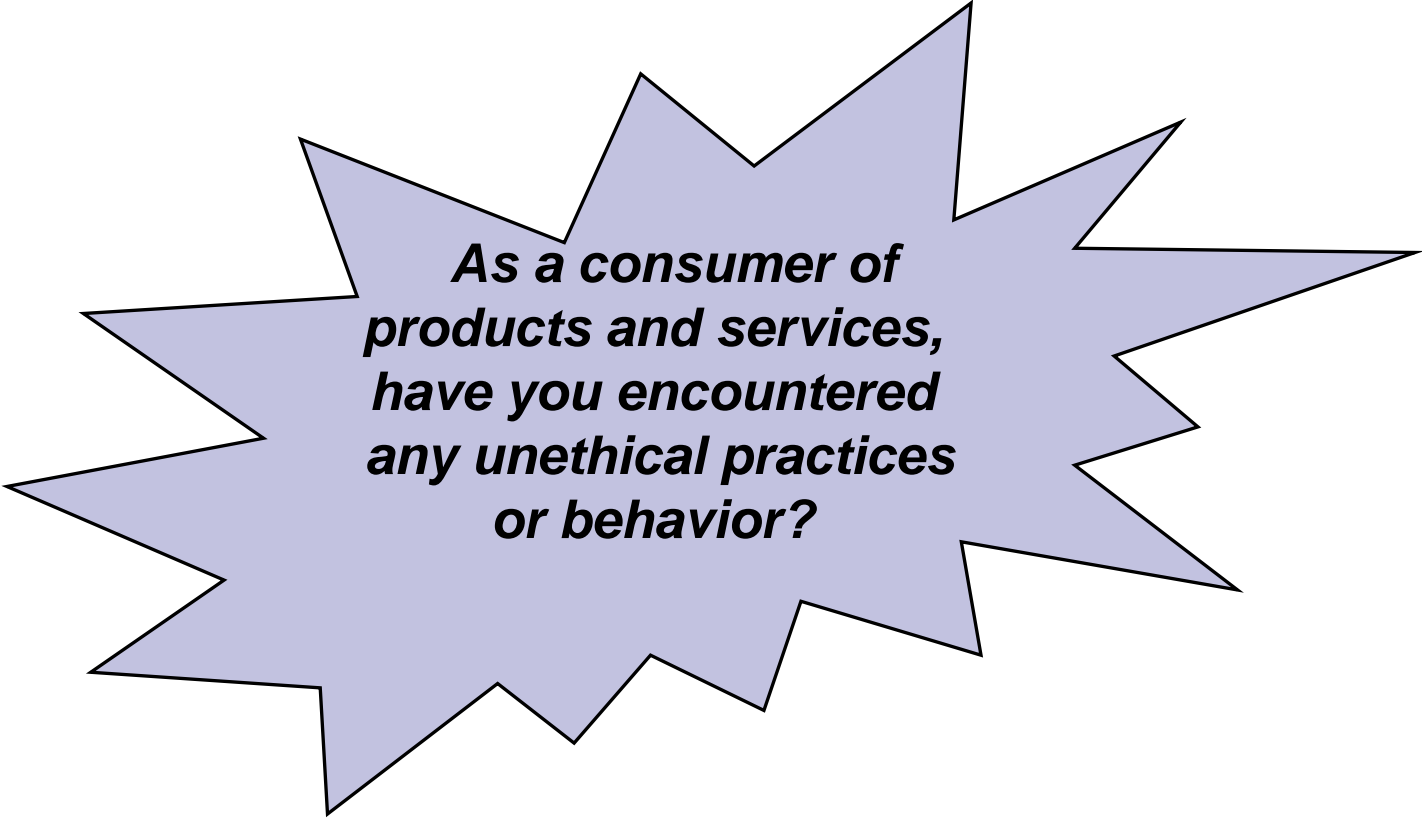
# What is Business Ethics?

- Ethics is all about **making the right decisions**
- Management is concerned with how decisions affect the **company**, while business ethics is concerned about how decisions affect **everything**
- Business ethics is a matter of dealing with dilemmas that have no clear indication of what is right or wrong
- The best way to handle ethical dilemmas is to avoid them in the first place

**Do the right thing because it is the right thing to do!**



# Procurement Ethics



***As a consumer of products and services, have you encountered any unethical practices or behavior?***

- ✓ Take 5 minutes to write down your answer
- ✓ Class discussion

# Procurement Ethics

Social Responsibility starts with ETHICAL behavior...

## *Ethics Scenario*

- Buying from Relatives or Your Company
- Accepting Gifts from Suppliers
  - Cultural Considerations
  - Internal Pressures
  - Government Scandals



# Procurement Ethics

## Exercise

### Procurement Manager - Mexico

# Procurement Social Responsibility

- Social Responsible Request for Proposal (RFP) Questions
- Supplier Code of Conduct
  - Public Awareness - consumers judge organizations by the companies with which they do business
  - Preparing Supplier Code of Conduct (14 most commonly items)



# Sustainable Procurement

- What is Sustainability?
- Why Sustainability is Important?
- What is Climate Change?
- How is Climate Change Influence Business and Procurement?

# Sustainable Procurement

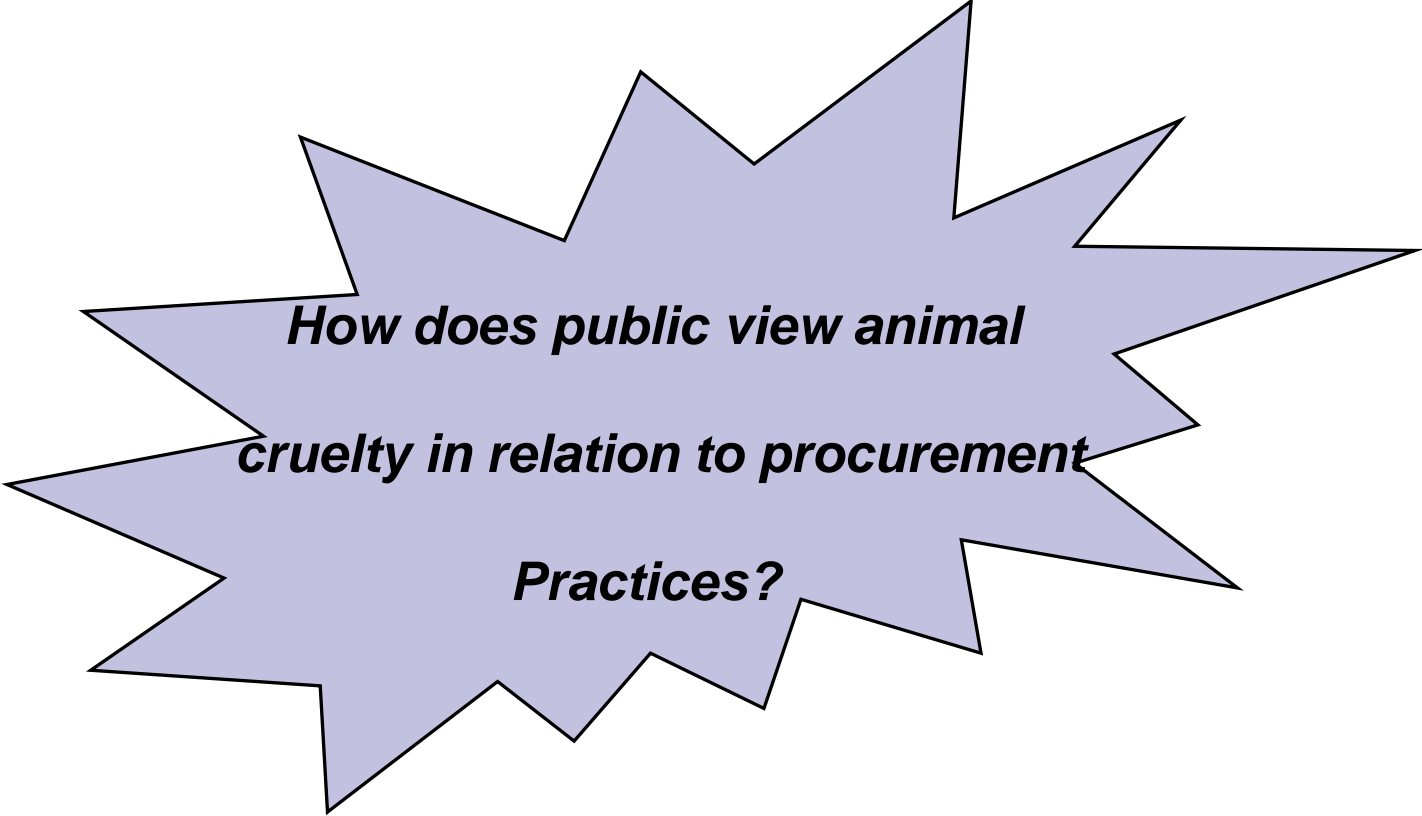
- ***What Else Does Sustainable Procurement Address?***
  - Deforestation
  - Pollution
  - Energy Conservation
  - Water Conservation

# Sustainable Procurement Strategies and Tactics

- ***Strategies and Tactics for Environmentally Responsible Procurement***
  - Developing Key Performance Indicators (KPIs)
  - Promoting Teamwork Among Supply Chain Partners
  - Using Third-Party Supplier Ratings & Assessments
  - Encouraging Suppliers to Set Science-Based Climate Goals
  - Seeking Supplier Feedback & Input
  - Reporting

**Are there Costs Implications with Sustainable Procurement?**

# Animal Friendly Procurement



***How does public view animal  
cruelty in relation to procurement  
Practices?***

- ✓ Take 5 minutes to write down your answer
- ✓ Class discussion





# Supplier Diversity & Inclusion

- What is Supplier Diversity & Inclusion?
- Definition and Categories of Diverse Suppliers
  - Public Sector Diverse Supplier Categories
  - Private Sector Diverse Supplier Categories

# Supplier Diversity & Inclusion

## Why Supplier Diversity & Inclusion?

- Reasons for Supplier Diversity:
  - Organizations have a Diverse Customer Base
  - Organizations serve Customers that Support Supplier Diversity & Inclusion
  - Government Requirement
  - Organizations Want to Demonstrate Social Responsibility



# Supplier Diversity & Inclusion Challenges

1. Which Supplier is considered Diverse Supplier
2. Tracking the Use of Diverse Suppliers
3. Finding Qualified Diverse Suppliers
4. Verifying that a business Is a Diverse Supplier
5. Setting Supplier Diversity Goals



## **Supplier Diversity & Inclusion Challenges – Cont.**

6. Understanding the Risks of Supplier Diversity
7. Sustaining Supplier Diversity Momentum
8. Lack of Support from Internal Customers
9. Avoiding Double Counting Diversity Supplier Spend
10. Keeping up with Changes

# Summary & Review

- Procurement is an important department with significant impact on organization's bottom line and the efficiency of its internal operation
- Procurement needs to take a strategic approach in exceeding management's expectations & satisfying internal customers
- Procurement professionals need to realize that a well-executed supply management strategy that is aligned with company's goals results in value creation for their organization

## Summary & Review – Cont.

- Procurement leaders can benefit from developing and retaining their team members. Equally, employees flourish and contribute to the success of procurement from a leader who develops and inspires them
- In today's world, procurement professionals, their team, and their suppliers are compelled and required to a higher standard of ethical, socially, and environmentally responsible policies, practices, and behavior