

Friday Rant: A Three-Step Cure to Procurement's PR Problem

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Related Categories: Jason Busch

Since getting into procurement and supply chain over a decade ago, I've tried to convince myself -- maybe denude is a better term -- that the corporate function and philosophical purpose I live my life for is gaining favor at the highest level of the executive suite. But is it? Recent research from Basware (conducted by Loudhouse) suggests that the majority of finance organizations are still skeptical of the role and impact of procurement. And conversations I've had with many in the field of late continue to suggest that procurement maintains a persistent PR problem despite the trillions in dollars we've sourced, saved and otherwise not spent as a result of our efforts. So what gives? Why does procurement still have a PR problem in spite of all that we've done and continue to do?

Some might argue that our situation is improving. This Rodney Dangerfield school-of-thought goes along the lines that a decade ago, no one respected procurement and that today, at least those executives and Board members who have seen the savings light do. True, perhaps, but when a majority of executives still look at us as a backwater back-office or superficially grant us "C-level" titles without giving us the same compensation and power as other management team members, how much has really changed? Not enough, I'd argue.

Curing procurement's PR problem will not be easy. Nor is it something that can happen overnight. But it is possible. I believe that it will take three key steps to bring us to the level of social acceptability that we'll need to climb up from the backwater and shower off the muck once and for all.

The first step is perhaps the easiest -- a continuous stream of good news. Both inside our organizations and externally, we must continue to market the results we've achieved on a consistent and in-your-face manner. Internally, if you're not already publishing a weekly newsletter highlighting the results you've achieved, creating awards given by the CEO or CFO and making sure your savings stick by treating internal spend and business owners just as an external service provider would treat their client, then you're not doing enough. And by the same token, if you're not thinking in savings sound bites that you can provide to the management team and finance organization to feed to the media and Wall Street on a constant basis, you're failing to provide that steady stream of good news that is essential in any PR campaign.

The second step to cure procurement's PR ills is to bring more big personalities and aspiring leaders into the ranks -- folks who aren't afraid to create controversy and manufacture a ruckus internally. It's precisely these types of larger-than-life personalities who previously might have gone into sales, corporate development or finance that our function needs to continuously call attention to itself and shame the business into prioritizing changes that save money. Procurement's historic passivity is the main reason, I believe, that identified savings often erode overtime as spend owners in the business go back to their old ways. But if these jokers knew that the moment they jeopardized the savings that we worked so hard to achieve, that they'd be called out by someone not afraid to raise a big stir, then they'd think twice about not only how they preserve savings, but also the bark and bite of procurement.

This last point flows into the third step to curing procurement's PR problem. And that's the need to create fear internally. Sure, we must build bridges to the business. But we must also, and pardon the vulgarity, know when to raise a stink and be just as much of an a\$\$hole as other company leaders to get our way. We can't just roll over when someone pushes back. Part of the problem, I believe, goes back to who has historically gotten into procurement in the first place -- those who are worried more about keeping their jobs than rising to the top of not just their

field, but industry. The problem here is that those who usually make it all the way to the top aren't afraid to create enemies when they need to -- even if it means risking their jobs in the process. Taking the "bull by the horns" involves being fearless -- which engenders respect but also risk. Procurement needs a new personality that embraces risk and eschews fear to gain respect at all levels of the corporate hierarchy. I believe that this is the most important missing link in curing procurement's PR challenge.

Enough from me. What do you think is the cure for procurement's PR challenge?

- Jason Busch

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I wrote a blog post internally to share your recommendations and to provide my own commentary. I'll paste it here to get your audience's feedback.

Is Procurement taken seriously?

Jason Busch has written a couple of posts this week about the perception of the procurement function. The first post discusses survey results that show there is a lack of regard for procurement's role and ability in delivering results to a company's bottom line. The report states that "only 27 percent of CFOs consider that procurement has a positive effect on enterprise profitability (which) suggests that the procurement role itself and the wider supply chain is not seen as a significant contributor to bottom line performance." The survey also highlights a lack of close integration between the procurement and finance function as an indicator of a lack of perceived value.

The second post reveals Jason's recommended steps to improve procurement's public relations problem. He does this by highlighting three actions procurement needs to take:

1. A continuous stream of good news. Through weekly newsletter updates and awards passed out by C-level execs Jason wants us to really treat our business partners just as one would treat a client in a more traditional external services relationship. We publish a newsletter twice a month and have an updated stream of announcements on the function website. We can do more though to make more visible the impact that our work has on the company's success.

2. Procurement needs more big personalities and aspiring leaders in its ranks. Jason writes that procurement as a career has historically attracted those that tend to be more passive and that are more interested in keeping their jobs than rising to the top. Unfortunately I have seen this as well at Company X, not just in procurement but the global functions in general. Extreme risk aversion, a status-quo mentality and a lack of innovation are pretty standard fare. It's not an environment that aspiring leaders and trailblazers are going to stay in for long. To change that we need to embrace failure as a necessary step to some massive successes. People should see procurement as a place where ideas are valued and acted on.

3. The last step is one that I don't really agree with much. Jason thinks procurement needs to create fear internally. It's a question of using a hammer or a carrot. Today in procurement we are working on building a compliance culture. My personal feeling is that you don't attain that culture by firing people that purchase outside of authorized channels or making it extremely difficult to purchase. People want to do the right thing. We need better choice architecture that lead people to make the right decision on their purchases, we need to educate people on why these approved channels have been selected and we need to listen to our customers on why they choose other channels. I don't want people to fear me. I want people to come to me with their problems and feel like they can have an open and collaborative discussion on how best to solve whatever need they have. If they fear me that won't happen.

All in all a couple of great posts from a blog that all procurement professionals should be subscribed to.

Posted By David | 7/10/09 8:38 AM

I want both. I want everyone in the company to respect me and like what I'm doing but fear is also very healthy component of respect. Witness my relationship to Dad at the age of 4. We loved him but also feared him. He was a drill sergeant in the US Marine Corps. I broke a clearly defined rule at home once and walked across the railroad tracks with two little friends. We were gone for hours, little mavericks that we were, and nobody knew where we were.

We snuck into a junkyard for cars and played for hours in an abandoned bread truck. We knew this was wrong but didn't care. It was a submarine with the vertical bread shelves serving as bunk beds. We stacked ourselves like loaves into the shelves and then someone would yell "Dive, dive" and we would all scramble as fast as we could to see who could get to the drivers seat for the privilege of taking the submarine down under the water by shifting the gearshift of the old junker.

We were having so much fun we had no idea the entire police force of our town had been put on alert and was searching for us. On our way home a squad car pulled up along side us and the officer picked us up and let us play with the lights on the way home. Dad was not amused when I got home.

I don't know about the two other little boys but I had trouble walking for a couple days when he let me have it on the bottom with his belt after telling me exactly why what I did was so wrong. Fear, respect, and admiration are often inseparable. A healthy procurement organization must endeavor to encourage all three of them in a company that cares about it's cost base. I never broke that rule again....and I still love dear old Dad.

Posted By Sir Donald | 7/10/09 10:03 AM

Jason - You are right on the money. Very insightful. Procurement does have a public relations perception problem among top executives, because they do not involve themselves in what they see as a tactic rather than a strategy. Herein is the basic problem. Procurement has historically been delegated down the line and not considered a C-Level priority. Odd, since this is money going out the door that -- if spent more wisely -- would boost sagging bottom lines. Look at print as an example. Most organizations spend 3% to 5% of gross revenues on print (including direct mail, marketing materials, commercial and financial print, labels, customized packaging, etc.). Yet, these same organizations do not know it, because spending for print occurs in different silos across the organization. Most print is not even categorized as print and is called something else, like marketing or advertising expense. If the procurement of all print were simply centrally reported so that the newest procurement methodology could be applied, the enlightened buyer would convert 1% or more of the organization's total revenues to its bottom line. The opportunity for this huge and immediate change in financial results through

better procurement would seem to be enough impetus to open the eyes of even the most skeptical CEO, CFO or COO. Yet, ho-hum, it is only procurement, and procurement of print at that! Let the marketing people handle it. C-level decision makers must set procurement strategy by embracing change -- change that abandons traditional procurement methods in favor of increasing profitability through lower costs of procured goods and services, like print. -- William Gindlesperger, CEO, e-LYNXX Corporation (www.e-lynxx.com/profits)

Posted By William Gindlesperger | 7/10/09 12:19 PM

I forgot to mention the supply side but I would also like a healthy dosage of fear with the love I get from admiring suppliers!

Posted By Sir Donald | 7/10/09 2:15 PM