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Transform Procurement into Powerful Financial Management Function

by William Gindlesperger, Chief Executive Officer, e-LYNXX Corporation

Wikipedia -- the popular Internet encyclopedia -- defines procurement as *"the acquisition of goods and/or services at the best possible total cost of ownership, in the right quality and quantity, at the right time, in the right place and from the right source for the direct benefit or use of corporations, individuals, or even governments, generally via a contract, or it can be the same way selection for human resource. Simple procurement may involve nothing more than repeat purchasing. Complex procurement could involve finding long term partners – or even 'co-destiny' suppliers that might fundamentally commit one organization to another. Procurement can refer to buying, outsourcing, etc of any resources."*

What this definition does not address is the importance of procurement to an organization's bottom line. All too often, procurement is relegated to various departments throughout an organization. Each person with buying authority within a department is authorized to spend up to a given amount. While major projects usually require separate line-item approvals through various channels, on-going purchases such as printing are approved at the departmental level. For a large organization, that can be dozens of departments.

Printing and other expenses add up, but they do not show up as itemized expenditures in the annual report at the end of the year. Consequently, most organizations do not have a clue as to how much they could be saving on print and similar specification-defined goods and services because it is not reported except through lump-sum numbers or as "other costs."

To transform procurement into a powerful financial management function, there must be a paradigm shift -- one that demands accountability through centralization and detailed reporting. Gone are the days when departments are allowed to spend freely within a given budget amount, just so long as that amount is not exceeded. As a matter of fact, in some organizations, common practice has been to spend the allotted amount whether it has been needed or not just so that amount or more would be allocated the following fiscal year.

Tools exist today that make that approach to procurement archaic. New approaches to procurement make it possible to have every detail of every purchase logged into a computer so from a big picture perspective management can see what is being spent, by whom, why and when. If, for instance, a dozen departments order printing from a dozen different printers and the amounts paid for similar work vary widely, that is a red flag for management.

Not only does this signal that there is no coordinated print buying program within the organization, it illustrates how what may seem to be incidental purchases can add up to significant dollars -- dollars that can be saved for other purposes if spent more wisely and efficiently.

New methods and technology are available today that make it possible for the buyer to control costs rather than acquiescing to suppliers that are always going to charge higher fees when asked to make their best offer to produce a job. Even with negotiations and rate card rates, fees derived by traditional procurement methods are unnecessarily high.

The better way is to embrace an approach whereby the buyer sets rules for suppliers. Hence, the supplier is not dictating price. This is accomplished by establishing a competitive procurement environment. The first step is to build a database of trusted suppliers -- all handpicked and vetted by the buyer to assure that any supplier in the pool will deliver quality work on time no matter the price. The next step is to enter job specifications into the same computer communications and workflow system that stores the buyer's supplier database. The computer takes over from here. When asked, it matches the specifications for the job with suppliers capable of doing the work. Only those suppliers chosen are then asked to bid on the job. This is where the rules for competitive bidding work to the buyer's advantage.

All suppliers know that the buyer is looking for the lowest bid, and the best way to provide deep discount pricing of 25% to 50% is to run the job when equipment would otherwise be idle. This is called filling downtime, and it is standard practice in the printing industry because most printers reserve about 30% of their production schedules for key client work. When that work does not materialize, downtime has to be filled or there will be no revenue.

This competitive procurement method also works to the advantage of the supplier. Rather than being stuck with no work, idle equipment and employees and no revenue, the supplier gains work and income. Suppliers that apply this strategy consistently increase their bottom line annual profitability from a national average of less than 3% to more than 14%.

However, this new process for procuring print and other specification-defined goods and services is not all about pricing. That is a very attractive benefit, but so are the efficiencies gained and the establishment of strong standardized controls. Every aspect of a job, from conception through changes and production to delivery and invoicing, are recorded and archived by the communications and workflow system. The buyer and the supplier determine who has access to the system and when so that whenever a decision is made the person who makes the decision is noted and the what, when and why documented. Total transparency is provided. Full accountability is assigned. Quality control is strengthened.

Since this sequence of events occurs job after job, the buyer and the suppliers know what to expect. It eliminates trying to find suppliers every time a job is needed. They are all in the buyer's database just waiting for opportunities. It eliminates having to negotiate pricing. It saves time and resources. The competitive procurement method takes care of that and delivers predictable results -- results that should be reported as a line item to shareholders to demonstrate how the organization is using a new procurement process to save money.

By switching from decentralized procurement and supplier driven pricing, the buyer takes control of procurement and makes it possible for procurement to become a powerful financial management function within an organization.

About e-LYNXX Corporation

e-LYNXX Corporation, the North American procurement authority, is exclusively endorsed by *Printing Industries of America (PIA)* and *Educational and Institutional Cooperative Purchasing (E&I)*. Founded in 1975, e-LYNXX has three divisions. ● American Print Management provides enterprise print procurement solutions and patented competitive methods to reduce costs for direct mail, marketing materials, packaging and other procured print. Results include enhanced quality and service levels, efficiencies, process control, transparency and procured print cost reduction of 25% to 50%. ● Patented Procurement Method grants patent licenses for supply chain optimization. Results include substantial reduction in existing costs of competitively procured goods and services. ● Government Print Management offers U.S. GPO bid services, access and assistance. Results include filled downtime, operational stability, improved cash flows and increased profitability. www.e-LYNXX.com – 888-876-5432

About the Author

William Gindlesperger is a nationally recognized entrepreneur, inventor, author and consultant in print and procurement. He founded ABC Advisors and its successor, e-LYNXX Corporation, in 1975. Under Mr. Gindlesperger's leadership the firm has grown to become North America's procurement authority. Print buyers and suppliers alike have benefited from his insight and innovation.

Mr. Gindlesperger has directed major in-plant studies in both the private and public sectors and is highly regarded for his knowledge, advice and work on behalf of firms in matters pertaining to the U.S. Government Printing Office (GPO). He has testified before the U.S. Senate Committee on Rules and Administration regarding government print and procurement policy. He also has worked directly with numerous Congressional and Senatorial members and staff and has advised Congress on the development, operations and future of GPO print procurement and the federal print program in general.



He was a founder and chairman of Printing Industries of America's (PIA) PrintPAC (political action committee) and has been recognized for his contributions to PIA and services to the printing industry. He was inducted into PIA's Ben Franklin Honor Society of print industry leaders in 2009 for his lifetime contributions to the print industry. *Supply & Demand Chain Executive* honored Mr. Gindlesperger by including him in its 2010 listing of the most influential leaders in the supply and procurement profession.

Mr. Gindlesperger invented the methodology that optimizes cost reduction in the procurement of specification-defined goods and services. He has been granted two separate business method patents by the U.S. Patent Office, first for the competitive procurement of print and then for the competitive procurement of all customized and specification-defined goods and services.

Under Mr. Gindlesperger's leadership, e-LYNXX has grown into the leading print management and procurement licensing firm in North America. e-LYNXX has been exclusively endorsed by Printing Industries of America (PIA) and has been named one of the top 100 procurement firms in North America by *Supply & Demand Chain Executive* magazine.

His firm handles more than 200 on-going consulting assignments at any given time. Among its contracts is one with Educational & Institutional Cooperative Purchasing to assist colleges, universities and other institutions nationwide with procurement and print-spend management.

A native of Chambersburg, Pa., Mr. Gindlesperger is a graduate of Dickinson College.

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