

Procurement Success is a Two-way Street

Executive summary

For many CPOs and procurement teams gaining co-operation with colleagues in other departments is a challenge. Many also find that relationships with suppliers can be strained. The reason for both these problems is often very simple: poor communication.

This emerged as one of the major concerns among 175 procurement executives who answered our recent Efficio grassroots survey. Communication with their business stakeholders and external suppliers, many said, was severely lacking.

It's clearly an area worth tackling. Exchange of ideas between different parties is the way to make progress and meet objectives. Efficient, results-focused dialogue is good business.

In this issue of Viewpoint we look at why effective communication with these two key audiences -- internal stakeholders and suppliers -- is so important, and offer some practical suggestions for how it can be improved.

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Background

There are mutual benefits when procurement people are able to talk freely with their colleagues in other functions. It can produce mutual understanding of respective skills and roles leading to better business results.

Poor communication, on the other hand, can handcuff procurement's ability to influence the end-to-end procurement process, reducing it to a contract management function while other departments manage the procurement process themselves. It can become a vicious circle when procurement suffers from a lack of respect which, in turn, limits interaction with other functions.

With suppliers, the potential benefits of effective communication are similar. They often complain that procurement people fail to share forecasting information with them, for example. They are kept at an arms reach and not informed of upcoming production schedules, but still expected to deliver on time no matter what the level of demand.

Surprisingly, our survey found that almost two-thirds of respondents never met with 20 per cent of their suppliers. Clearly, this is a recipe for potential disaster.

A new approach

In the challenging economic times we currently face and with many suppliers struggling with tight margins, it makes sense to provide them with as much information as possible. That way, they can fulfil their obligations and you are more likely to receive the service you require. Simply increasing the amount of communication with stakeholders and suppliers may well produce tangible benefits.

A new approach to communications is needed, which can be achieved by CPOs through the following steps:

- Segment your stakeholders and your supplier base so you can prioritise your targets. For stakeholders, assess how supportive they are of your efforts as a professional procurement function, and how important they are in the organisation. For suppliers, determine how strategic they are -- gauge the potential impact if they were to cease supply.
- Instigate a new approach to communications with stakeholders and suppliers in a new sourcing project. This should ideally be the kind of project that involves significant stakeholder engagement but is one you can lead and make changes as necessary.
- Meet stakeholders bi-weekly or even weekly, together or separately, to get them onboard and ensure you understand their fears and concerns. You will have a better chance of success if they feel that you understand their position. Always err on the side of over-communicating, even if this means just a short weekly update with a few bullet points.
- When negotiations are complete, produce a list of options with the relevant business cases attached rather than presenting a single solution. That way, stakeholders feel they retain some status and influence over the proceedings. Procurement should be a facilitator not a decision maker.
- For suppliers, good communication means regular meetings to share information, deal with any issues and explore ideas about how the relationship can be improved. Once the selections have been made and contractual terms agreed, vendor management becomes the priority.
- Account meetings should begin within a month of contract signing, especially for new suppliers.

More effective communication

Once you have these procedures in place, it is essential to consider the way you communicate. Effective communication is an art, not a science, but there are certain principles that CPOs can adopt that can produce immediate benefits if followed correctly.

The overall objective is to produce the results you want and this is best achieved by using whatever method is most appropriate in the circumstances. This approach is called “agile communication” and the essential principles are:

- Make sure your message is clear. Work out a “narrative” or story to tell your stakeholders about the approach you are proposing. Summarise the story with a brief headline and set out clearly what the project is all about and, most importantly, the benefits it will deliver.

- Make sure you tell them “what’s in it for them”. Too often procurement focuses only on cost. Tailor the message to each group of stakeholders to reflect their concerns. Persuading a buyer who has used the same supplier for several years that change is needed will be a very different task to presenting a case to the finance director about potential savings.
- Your approach to your stakeholders should be very flexible. Emails, meetings and reports have their place but the day-to-day business of implementing change usually benefits from a pragmatic, personal approach. A direct phone call or a quick visit to someone’s office is usually more likely to produce quick results than an email suggesting a meeting.

If you are clear and flexible in the way you communicate, it is much more likely your stakeholders will welcome your approach. They will understand the benefits you can bring them.

Effective, agile communication with your two main target groups - internal colleagues and suppliers - will produce a win-win outcome in which all those involved are able to meet their business objectives.

A report on the full results of the Efficio *Grassroots Procurement Survey* is due to be published in March 2011.