A new era is changing the procurement function, creating broader and deeper roles where buyers also need to be value brokers, and capture, retain and manage talent (Supply Management)

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**Introduction**

Procurement transformation is a relatively new concept and is usually positioned within wider discussions of change management and transformational leadership (Day and Atkinson, 2004). Although the specific nuances of implementing change within the procurement function differ from change management initiatives in other functions, the underlying principles determining the success or failure of changing processes, practices and behaviours remain similar. A turbulent and unstable political and economic environment, globalisation, technology and product innovations require organisations to develop change capabilities and acquire knowledge of change management. Change management is generally a complicated process which involves complex analytical, political, and cultural processes of challenging and changing the core beliefs, structure and strategy of the firm (Pettigrew, 1987).

The impetus for the procurement function in light of current developments is becoming more strategic and stronger than ever. Procurement transformation relies on the application of various tactical, strategic and transformational tools and techniques and can positively impact many areas: e.g. launching and accelerating cost control, extending, sustaining and renewing cost management and pioneering new business structures (Hughes et al., 2011). Cultural change is generally the major barrier for procurement transformation (Burnes, 2009): "it takes a long time to develop ... success has to be visible and well communicated and the new norms and values need to be backed with incentives" (Supply Management).

**Definition**

Procurement transformation refers to a specific type of organisational change management which focuses on strategies to enable major and long-term improvements to procurement and supply management processes, activities and relationships (Day and Atkinson, 2004).

**Successful Application**

The lack of a clear definition and understanding of the procurement transformation complicates its implementation. The most logical starting point is to understand the general issues related to successful organisational change management. Change management is a well-researched topic which has spawned a wealth of advice, including Kotter’s (1996) eight steps to successful change (other popular change management texts are Burnes, 2009; Cameron and Green, 2009; Paton and McCalman, 2004).

**Steps to Successful Application**

- Establish a sense of urgency: examine market and competitive realities, identify and discuss crises, potential crises or major opportunities.
- Create a guiding coalition: assemble a group with enough power to lead the change effort and encourage it to work as a team.
- Develop a vision and strategy: create a vision to direct the change effort and develop strategies for realising the vision.
- Communicate the change vision: use every channel and vehicle possible to communicate the vision and strategies.
Empower broad-based action: remove obstacles to change, change systems or structures that seriously undermine the vision and encourage creative and non-traditional ideas, activities and actions.

Generate short-term wins: plan for visible performance improvements, create those improvements and recognise and reward employees involved in the improvements.

Consolidate gains and produce more change: use increased credibility to change systems, structures and policies that don't fit the vision, hire, promote, and develop employees who can implement the vision and reinvigorate the process with new projects, themes and change agents.

Anchor new approaches in the culture: articulate the connections between the new behaviours and organisational success and develop the means to ensure leadership development and succession.

Hints and Tips

- It is important for senior leaders to recognise the true business and organisational impact of procurement and its centrality to sustainable competitive advantage and long-term survival (Hughes and Day, 2011).
- Transforming procurement involves sending the message about the importance of effective procurement beyond the immediate function (Supply Management, 2010).
- Procurement transformation requires strengthening team competences and building skills that provide a high return on investment (ROI) (Hughes et al., 2011).
- The importance of communication and transparency are often underestimated and negative perceptions among employees can become the key barriers to change (Proctor and Doukakis, 2003).

Potential Advantages

- Organisations will continue to face highly dynamic and increasingly complex operating environments. Therefore, the ability to manage change and transform procurement is key to business success (Paton and McCalman, 2004).
- Although change is not an easy process, the benefits for organisations can be substantial if the process is carefully planned and executed (Cameron and Green, 2009).
- Procurement transformation is not only about reducing costs, it can also benefit employees by creating new opportunities to improve existing skills, learn and assume more responsibility for projects that add value (Burnes, 2009).

Potential Disadvantages

- In reality around 70% of change management programmes fail to achieve the intended outcomes (Burnes, 2009).
Due to its recent entry into management lexicon, procurement transformation is a vague and aspirational term lacking concise definition (Day and Atkinson, 2004).

The process of procurement transformation can have short-term setbacks. For example, when Royal Mail set out to create one of the top three procurement functions in Europe within three years, many employees resigned (Supply Management, 2007).

**Performance Monitoring**

- Benchmark and measure business alignment and stakeholder engagement with the aim to achieve a clear linkage between business strategy, goals and procurement initiatives (Hughes and Day, 2011).
- Benchmark and measure process excellence and technology (Hughes and Day, 2011).
- Benchmark and measure de-risking the supply chain (Hughes and Day, 2011).
- Benchmark and measure ethical sourcing and CSR (Hughes and Day, 2011).
- Benchmark and measure reformation of the supply chain (Hughes and Day, 2011).

**Case Studies**

- Care UK, a social care provider, is undertaking a three-year overhaul of its procurement function led by its procurement director, three buyers, and 14 ‘procurement champions’. The initial objective was to save over £4.6m, but Care UK has already cut costs on a range of categories, including print, insurance and fleet by wielding greater buying power (Supply Management, 2010).
- Royal Mail led its procurement transformation primarily through organisational redesign. The company flattened the management structure in procurement, reduced 13 different grades to four and the group procurement director increased his direct reporters from two people to nine. Moreover, 60% of the function were newly recruited employees (Supply Management, 2007).
- Procurement transformation at Siemens was based on its '60:25:20' plan, which aimed at pooling and aggregating 60% of global spend, increasing sourcing in emerging countries by 25% and reducing the number of suppliers by 20%. In addition, over 1,000 measures were identified to reduce cost and complexity across product specifications (Hughes and Day, 2011).

**CIPS Source Downloads**

- CIPS: Effective CSR implementation
- CIPS: Sustainable procurement
- CIPS: Promoting the Purchasing and Supply Management Function
- Case Study: The Role of Procurement in Strategy Development - NATO
Further Reading/References

Web Resources

- Change management fact sheet [http://www.cipd.co.uk/hr-resources/factsheets/change-management.aspx](http://www.cipd.co.uk/hr-resources/factsheets/change-management.aspx)

Books


References


**Video**

Roy Anderson discusses organisational transformation
https://www.youtube.com/watch?feature=player_embedded&v=Kq3wdU_WzIo