Promoting the Purchasing and Supply Management Function

The CIPS position is that purchasing and supply management professionals have an obligation to the profession to proactively promote the strategic importance and potential contribution of professional purchasing and supply chain management through their own professional conduct and the effective marketing of the purchasing and supply management function. Purchasing and supply management professionals should be more ‘outward’ looking and move away from the tendency to focus inwardly in terms of what is traditionally thought to be a purchasing and supply management professional’s role.

CIPS Positions on Practice

CIPS views, opinions and beliefs are stated throughout the document; however the broad practice statements which underpin the text are as follows:

- CIPS takes the view that purchasing and supply management professionals should assume the duty to promote the strategic importance and the contribution which professional purchasing and supply management can make to corporate wellbeing, via their own professional conduct and the effective marketing of the purchasing and supply management function.
- Purchasing and supply management professionals should ensure that their role is in harmony with their organisation’s vision and corporate plan; they should be able to communicate with members of the Board in an effective manner.
- CIPS believes that it is necessary for purchasing and supply management professionals to be seen to be working in support of corporate needs whilst at the same time being prepared to adapt their service profile to satisfy individual needs and circumstances when required.
- CIPS advocates purchasing and supply management professionals delivering a ‘Performance Promise’ to their organisations, setting out their plans for supporting the corporate strategy.
- CIPS advocates the formation of a Procurement Advisory Panel, a key feature of which is a customer-focused relationship management approach. The Panel should be seen to act in support of the purchasing and supply management strategy.
- CIPS believes that customers’ needs and expectations should be seen as a priority in any purchasing and supply management strategy, placing emphasis on the ways in which the purchasing and supply management function can be of assistance in ensuring that customers’ requirements are accurately identified.
- CIPS takes the view that purchasing and supply management professionals should work in harmony with part-time buyers, offering support and training when and where necessary.
- The purchasing and supply management professional should be able to detect, and have the ability to reconcile, any conflicts of interest between different departments within the organisation, thereby enhancing the perceived value of the purchasing and supply management function.
- The purchasing and supply management professional should always be prepared to take the initiative and be prepared to develop commercial acumen, sound negotiation skills and the effective management of suppliers.
- Wherever possible, the purchasing and supply management professional should avoid the use of jargon. In those cases where jargon is unavoidable he/she should be prepared to provide clarification.
- CIPS recommends the selection of an ‘easy win’ procurement project, seeing this as a cost-effective way of enhancing the profile of the purchasing and supply management function within the organisation as a whole.
- CIPS takes the view that there is a close link between the purchasing and supply management and marketing functions and further, that purchasing and supply management professionals have much to learn from the marketing and sales strategies of their suppliers.

Aligning Strategy

i) Aligning purchasing and supply management with the corporate plan

Purchasing and supply management professionals should ensure that their role is in harmony with their organisation’s vision and corporate plan. Furthermore, purchasing and supply management strategic objectives should dovetail with the organisation’s objectives. This should be a proactive process involving the purchasing and supply management professional approaching the organisation’s Board of Directors (or equivalent) to obtain a thorough understanding of the corporate plan and its supporting strategies. Purchasing and supply management professionals should learn to communicate in the language of the Board and, where possible, contribute to the development of the corporate plan.

CIPS believes that purchasing and supply management professionals should plan what they do i.e. their service in the context of the issues facing the business; this is of course a strategic planning activity but it is also something which can change on a regular basis. For instance, the global market can change, unexpected threats can appear, market share can be lost. Purchasing and supply management professionals need to keep abreast of such changes and maintain the dialogue with the Board in order that the purchasing and supply management function is fully supportive of the organisation at all times.

ii) Potential problems in aligning strategies

In some cases it is difficult to align the purchasing and supply management strategy with corporate objectives and hence it may become necessary to rely on tactical aims or action plans, in order to find suitable values or performance targets. CIPS believes it is of critical importance, when promoting purchasing and supply management, to be able to demonstrate how the purchasing and supply management
promoting the purchasing and supply management function

strategy directly supports the organisation’s corporate plan
and is an effective component in the business planning
process.

CIPS recognises however, that in some organisations Boards
of Directors are yet to be interested in purchasing and supply
management. This should not prevent the purchasing and
supply management function aligning itself with the
organisation’s corporate objectives; indeed this process itself
should have the effect of raising the profile of purchasing
and supply management. Similarly, CIPS recognises that in
some organisations, different business units have entirely
different objectives which sometimes appear to conflict with
the organisation’s corporate goals. Purchasing and supply
management professionals must position their strategy to
support the overall organisation; however this should not
preclude them from adapting their service on a tactical basis
to suit genuine and legitimate individual needs.

A common problem encountered by purchasing and supply
management professionals is that the stakeholders e.g. the
Board or its equivalent, require one set of objectives from
purchasing and supply management in line with the
corporate plan, yet the end users, budget holders etc. require
a service which is quite different; sometimes indeed the
complete opposite of that which the Board expects
purchasing and supply management to deliver into the
organisation. By ensuring that the purchasing and supply
management strategy supports the organisation’s strategy, the
professional can demonstrate their value to the stakeholders
and promote it as necessary to various internal customers.

iii) Some suggested solutions

The Performance Promise CIPS advocates that purchasing
and supply management professionals deliver a ‘Performance
Promise’ to their organisations stating what they will provide
in respect of supporting the corporate plan and what they
intend to provide in future. The Performance Promise could
include, for instance, objectives covering training and
development of part-time buyers, a higher profile for ethics
and sustainability, visible compliance with statutory
legislation, measures of performance and so on.

The Procurement Advisory Panel CIPS recommends that
purchasing and supply management professionals develop a
‘Procurement Advisory Panel’ which includes key
stakeholders, a champion, sponsors, influencers etc. This
Panel might also be called a ‘Stakeholder Board’ but
whatever its title it should be very high profile and
consistently visible in its support and endorsement of the
purchasing and supply management strategy. The Panel
should meet on a regular basis to receive reports on progress
from the Head of Purchasing and Supply Management; to
discuss new ideas and approaches for the purchasing and
supply management strategy, help to prioritise projects,
identify opportunities for improvement, and so on. It would
be helpful if the Head of Purchasing and Supply
Management developed an informal relationship with the
members of the Panel and could contact them by email for
instance, on a daily basis in between meetings, as and when
the need arises. The Panel should also be used to lobby the
Board on issues that require top level endorsement, for
example, mandating policies. Where appropriate, purchasing
and supply management professionals should endeavour to
obtain a mandate(s) to underpin the effective implementation
of the purchasing and supply management strategy, policies,
procedures etc. Such top-down mandates are often
unavailable but if they are obtained, CIPS strongly
recommends that a customer-focused, relationship
management approach is put in place. If presented in a
dogmatic, prescriptive fashion, mandates can lead individuals
to feel impelled to undermine such rules. In some
organisations, the purchasing and supply management function is more successful without any mandates. One way
of introducing mandates which are more acceptable to
colleagues is to present them as ‘company policies’ so that
they are perceived in the same way as other company rules
(those relating to Personnel or Finance for instance).

Customer Relationship Management (CRM)

i) CRM and purchasing and supply management strategy

CIPS recommends that any purchasing and supply
management strategy should begin by assessing
customers’ (often categories of customers) needs,
expectations and specific requirements. Purchasing and supply
management professionals should assess customers in two key ways:

- to discover what the customer wants (or what they think
  they want) as opposed to that which the purchasing and
  supply management function believe they need; individual
  customers may have significantly different requirements
- to inform and enlighten the customer as to how the
  purchasing and supply management function might help
  them and them, depending on their response, adjust the
  service offering accordingly

ii) CRM and part-time buyers

In many organisations, part-time buyers or order placers i.e.
individuals for whom ‘buying’ is not a core function,
sometimes carry out purchasing activities without training in
negotiation or an understanding of the related ethical or legal
issues. They often do not appreciate ‘interference’ from
professional purchasing and supply management, seeing it as
a threat to their influence and power or simply the status
quo, either with products or with a supplier. The key to
delighting customers is to understand their perception and
perspective, show empathy and to undertake relationship
management in order to meet, if not exceed, their
expectations.

CIPS suggests that purchasing and supply management
professionals should work with the part-time buyers; provide
training and support, and enable them to support the
purchasing and supply management strategy whilst
continuing to be in charge of their own expenditure. This
process should help buyers who are tempted by unsuccessful
suppliers into fragmenting contracts i.e. so called ‘maverick’
purchasing in that they will appreciate the implications of
being tempted in such a way and should then become willing
stakeholders in the purchasing and supply management
strategy. However there will also be some customers to
whom no amount of relationship management will make a
difference and who persist in non-compliance.

Part of the purchasing and supply management strategy must
be to have in place an arrangement whereby an ‘in extremis’
appeal can be made to their management for the individual
to have their behaviour corrected. This is probably best done
by having compliant procurement actions made part of
internal customers’ competencies -though CIPS appreciates
that not all organisations will have this discipline.

iii) Customer expectations


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In many cases, different customers have conflicting expectations for the same requirement e.g. the Finance Director may require a significant cost saving from a project, the project manager may require on-time delivery whilst the consumer/end user may be demanding the best quality available. The purchasing and supply management professional should identify these conflicting expectations and, if possible, reconcile them in a positive fashion thereby promoting the value of professional purchasing and supply management; otherwise all three customers in the example will be disappointed, possibly resulting in long-term disenchantment with professional purchasing and supply management. One method of addressing this problem is ‘Sponsor Mapping’.

‘Sponsor Mapping’ (also known as ‘Client Management’) involves identifying the different customers and their individual needs, perceptions, perspectives and expectations. It involves working with them to ascertain these whilst educating them about the importance of security of supply for example, or the value of leverage across the whole organisation. Customers should be categorised or ‘segmented’ into groups so that those customers with similar needs can be targeted with particular proposal. For example, an invitation to join a cross-functional team to source a contract for IT services.

There may be occasions when it is not possible to reconcile all requirements and expectations and so, as appropriate, the purchasing and supply management professional must highlight and communicate this lack of cohesion to the relevant stakeholders and the Procurement Advisory Panel.

iv) Purchasing and supply management professionals and perception of customer requirements

Although purchasing and supply management professionals should demonstrate empathy towards a customer’s needs, they should actively challenge the need; this might involve analysing the requirement and extracting higher quality at a lower cost or at the very least questioning and clarifying the requirement.

The purchasing and supply management professional should take the initiative and lead the in-house team. There has been a marked shift in emphasis on professional buyers having strong technical empathy with the specialist in which they operate, towards much more focus on commercial expertise, negotiation skills and supplier management.

A final point is that purchasing and supply management professionals should take care not to fall into the trap of ‘over-selling’ and then ‘under-delivering’: this can easily occur when there is a hostile and constructively inhibiting customer base.

v) Speaking the Customer’s Language

CIPS believes that the purchasing and supply management function should avoid the use of jargon and provide an explanation every time it is necessary to use an ambiguous term. Equally, they should select an appropriate name for their service; different expressions mean different things for example, ‘procurement’ in the US means expediting; ‘supplies’ often conjures up images of stores and low value goods etc. It is important that when promoting purchasing, the purchasing and supply management professional speaks the language of the customer and designs supporting literature accordingly, and sets out to facilitate their interpretation by logical and consistent use of terminology.

vi) Promoting purchasing and supply management within the organisation

CIPS recommends that one effective strategy for promoting purchasing and supply management is to select an ‘easy win’ procurement project so that it is executed well, value is added, and the customer is delighted. By involving the customer at the outset and throughout the procurement project; (especially at the decision-making stages), the customer should take ownership of the project and be proud of the results. The successful project can then be used as a case study within the organisation. CIPS suggests that the case study be published with details of the benefits, along with a quotation from the satisfied customer.

Effective communication of successes is a key aspect of promoting purchasing. This can be achieved by means of a website on the organisation’s intranet; a newsletter, ‘road shows’ within the organisation, presentations to potential new customers and so on. Purchasing and supply management professionals should not be afraid to publicise their successes but when doing so, they must utilise the views of existing customers and position their message appropriately for individual new customers. Another point of good practice is when emailing or writing to individual customers to use their name(s), rather than addressing the letter/note/email to a general audience.

Purchasing and Supply Management and Marketing Skills

CIPS’ Graduate Diploma includes a Marketing module which should provide the basis of the purchasing and supply management knowledge in this sphere. CIPS encourages purchasing and supply management professionals to learn more about marketing, perhaps via the Chartered Institute of Marketing, so that these skills can be employed to promote purchasing and supply management.

CIPS recommends that purchasing and supply management professionals actively learn from the marketing and selling techniques of their suppliers. Suppliers generally invest heavily in training sales representatives; different suppliers will adopt different tactics, styles and approaches, depending on how they perceive and position the buying organisation.

Another method of developing marketing skills is to liaise with the organisation’s marketing department. Most organisations employ professional marketing staff and CIPS encourages purchasing and supply management professionals to develop working relationships with these colleagues so that they help in the promotion of purchasing and supply management. This may help the purchasing and supply management function to work with Marketing in respect of their purchases of advertising, other external services and bought-in goods. The marketing spend can otherwise be quite difficult to access and yet it is an area where there are many quick wins for delivering immense dividends.

Conclusion

Purchasing and supply management professionals should develop a broad range of business skills in order to be increasingly effective and raise the profile of purchasing and supply management within their organisations. In many respects these can be summarised as internal consultancy skills which are increasingly important in ensuring the success of the purchasing and supply management function.
Promoting the Purchasing and Supply Management Function

CIPS recommends that purchasing and supply management professionals have a very clear self-image within the organisation, concentrate on developing expertise in marketing/selling/communications, customer/supplier relationship management in order to promote purchasing, as well as skills in change management.

CIPS also recommends purchasing and supply management professionals develop an ‘elevator speech’ which in a few sentences has a significant impact on the listener, convincing him of the important role which purchasing and supply management has to play within the organisation. A suggested format appears in the attached Appendix.

APPENDIX

Elevator Speeches. An elevator speech is a few sentences that have great impact and can be delivered in a relatively short space of time i.e. the time it would take to travel in a lift (elevator in American usage) to the top floor of a tall building.

CIPS encourages purchasing and supply management professionals to develop their own elevator speeches. These, or the key points within them, can be used as and when an opportunity arises to impress a stakeholder such as the organisation’s CEO, or a potential new customer, for instance a director of part of the business with which the purchasing and supply management professional has not yet been involved.

Sometimes the stakeholder will initiate the opportunity by asking a question such as "how is the purchasing department doing these days?" Other times the purchasing and supply management professional will need to initiate the opportunity. Usually only the opening few words would be different in each case, such as with the question the opener would address the question maybe with "we’re doing very well, for instance we recently (mention a success here)". If the purchasing and supply management professional needs to initiate the conversation the opening will depend on how well they know the other person; if there is some familiarity then it could begin with "hello X, did you hear we recently (mention a success here)", if there is little familiarity it could begin with "hello X, I’m Y and I was recently involved with (mention a success here)".

CIPS recommends that in any of the above situations elevator speeches should include:

- purchasing and supply management’s position in the organisation - a brief statement of what purchasing and supply management does
- a case study demonstrating the value-add to the business.

Example:

"The purchasing and supply management function stands between our customers and our suppliers; it is the one department in our organisation that looks into the supply stream and into business. Marketing is the department which looks out to end customers and reflects their requirements back to the business; purchasing and supply management is primarily responsible for the opposite end of the value stream. Effective purchasing and supply management is one of the key strategic drivers of successful enterprises because it enables them to serve their customers effectively at optimum cost and margin. That is what we provide our business. …we have a great opportunity here as 65% of our expenditure is on goods and services and so when we save £1 on a procurement this goes straight to the bottom line; unlike what happens in sales e.g. if £10,000 is saved on purchasing then all of that appears on the profit line whereas £10,000 of additional sales may generate less than £1,000 to the profit line. We have already taken out 15% of the costs of bought in goods and services and are aiming for a further 7½ this year..."

A recent successful case study should then be quoted.

"Sheila Babcock, (the Director of HR) recently shaved £100k from her recruitment budget by seeking our assistance. Not only has she developed a superb working relationship with the new recruitment agency, enabling us to access quality people effectively - which was a real problem before, but they have agreed to benefit sharing and continual improvement. I know she is delighted as the added value has enabled HR to invest in that new IT system they have been trying to get funds for over the last three years…"

CIPS recognises that such speeches need to reflect the culture of an organisation, its resources, and attitude towards purchasing and supply management. There is no universal panacea and purchasing and supply management professionals must develop their own approach as is appropriate to their organisation and to their own personal style.

The content of elevator speeches can be used in presentations, newsletters, articles etc. and other forms of communication within and, as appropriate, externally to an organisation, in order to promote purchasing and supply management.

CIPS recommends that the purchasing and supply management professional:

- undertakes research to ensure that they, and their team, are familiar with the current issues facing the business so that they can position what purchasing and supply management delivers in support of such issues and objectives
- reviews the elevator speech on a regular basis to ensure that it remains relevant
- develops a mini-business case for purchasing and supply management to use as appropriate i.e. alongside the elevator speech
- identifies a range of useful anecdotes for elevator speeches remembering that CEOs for instance, generally like to tell one part of the business about the success of another part of the business
- treats all colleagues as potential or existing customers
- shows empathy towards colleagues and others who think they understand purchasing and supply management i.e. do not be rude about their attempts
- is never negative during an elevator speech i.e. it is not the forum for complaints
- never offers something that cannot be delivered.

Further information and examples are available from CIPS Professional Practice Team.