

10X Procurement Series: Part 1

Joining the Mission to 10X the Impact of Procurement: Six Key Principles





“We choose to go to the Moon.

“We choose to go to the Moon in this decade and do the other things, not because they are easy, but because they are hard, because that goal will serve to organize and measure the best of our energies and skills, because that challenge is one that we are willing to accept, one we are unwilling to postpone, and one which we intend to win, and the others, too.”

- President John F. Kennedy



Philip Ideson

Art of Procurement has always worked to help procurement elevate their impact and envision the art of the possible. That effort has allowed us to build the largest procurement podcast audience in the world and connect with professionals at all levels to exchange ideas and solve common challenges. For a while, that approach was good enough.



Kelly Barner

But 'good enough' isn't our standard - and these are not ordinary times.

We have stood with the rest of the procurement community - and the world - and absorbed the scale and impact of the last few years. All of us can see that something has to change, and not in a small or incremental way.



Helen Mackenzie

There is nothing wrong with incremental change. In fact, most transformation projects drive change incrementally because it is more comfortable. It allows people the time they need to adjust and makes those changes more sustainable. Unfortunately, these are not comfortable times. Procurement must embrace the unknown.

If procurement can find a way to think differently about their capabilities and value proposition, they can break free from limiting beliefs and the shackles of incremental change.

Procurement may ask questions about what best in class looks like, but the answer is usually tethered to past performance. Building a future vision based on what is in place today limits procurement and narrows their forward-looking impact.

What if we could do more?

Art of Procurement is completely rethinking what procurement can achieve, and not by merely looking to improve upon their current state. We are searching for the art of the possible - procurement's true art of the possible - and breaking free from the gravitational pull of the past.

Our mission to 10X the impact of procurement is not a singular vision. It will look different to each company, industry, and maturity profile. We are launching 10X to bring this global professional community together to explore the art of the possible together. We don't have the answers, but we have six principles that can provide structure for the journey.

In this paper, we will outline and explain the six principles of 10X procurement:

- Drive business outcomes,
- Inspire and catalyze change,
- Facilitate differentiated decision-making,
- Utilize a fit-for-purpose operating model,
- Possess an entrepreneurial mindset, and
- Oversee 100 percent of spending.

As you read, we encourage you to consider your own unique perspective and situation. What will the mission to 10X procurement's impact mean for you and your team?

About Art of Procurement

Art of Procurement is the leading source of trusted, actionable insights for forward-thinking procurement leaders dedicated to increasing their impact on business growth.

Founded in 2015 by former procurement executive and consultant Philip Ideson, Art of Procurement is the home of the #1 weekly podcast in procurement.

Today, Art of Procurement's offerings have expanded to include written content, virtual events, executive roundtables, livestreams and expert-led consulting.



PRINCIPLE 1: DRIVE BUSINESS OUTCOMES

The most important thing procurement does is drive outcomes for the business. That objective should always come first. But what is the business really trying to achieve?

Measuring procurement's impact through savings alone elevates an outcome that only procurement cares about. It doesn't mean much to the business. Worse still, it pigeonholes procurement by allowing everyone to think savings is all they can deliver.

Procurement can play a key role in breaking down the barriers created by siloed needs and data. In fact, they are one of the few functions (if not the only function) that are in a position to play this essential role.

Truly understanding and connecting the needs of the business and individual stakeholder groups lays the groundwork for procurement to build strategies and work with supply partners to drive high-priority objectives: innovation, resilience, sustainability, and revenue diversification are just a few examples.



PRINCIPLE 2: INSPIRE AND CATALYZE CHANGE

Change is uncomfortable, and the mission to 10X procurement asks procurement to participate actively in the change journey - they must lead the way.

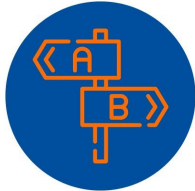
Many of the change conversations procurement has are inwardly facing, and that reflective process is important. The procurement experience, which combines both process and technology, must keep pace with buyer and budget holder expectations.

At the same time, procurement has to inspire others to drive change as well, perhaps through supplier discovery or alternate contract structures. Experimenting through procurement recommendations is a key strategic opportunity for any company.

When procurement challenges the status quo, they make a positive difference that can take multiple forms. Even if the decision is made to stay with the status quo, it will have earned its place in the business strategy.

This is not to suggest that procurement should drive change for its own sake; the world is too unpredictable for that. Each proposed course of action should be accompanied by a clear business case, a reason why. Articulating the justification for change serves as a lasting compass for each project.

As Simon Sinek said, “People don’t buy what you do, they buy why you do it.” Procurement’s desire to earn ‘trusted advisor’ status has to be supported by analytics, market research, and careful strategic planning. This will ensure that well-informed decisions are made and that procurement’s insight is regularly consulted.



PRINCIPLE 3: FACILITATING DIFFERENTIATED DECISION MAKING

If procurement wants to have an outsized impact, they need to provide information in a way that alters how decision making happens:

- Business Strategy: What are the organization’s goals and challenges? Are there stakeholder objectives and/or constraints that procurement can impact?
- Internal Customer Experience: What are their wants and needs? What motivates them to buy? Will that same motivation work in the future?
- Supply Markets: Which category trends, cost drivers, and pricing levers can procurement use to drive supplier-enabled innovation?
- Operational Excellence: Is procurement’s operating model fit-for-purpose? Is the current level of digital enablement driving desired outcomes? Is procurement backed up by mature strategies, tactics, tools, and templates?

If procurement doesn't show up with relevant data or uniquely synthesized information, they will struggle to connect with the business beyond a tactical level. Differentiated decision making will remain beyond their reach.

Relevant to this principle is the decision about whether category expertise needs to be maintained in-house for procurement to facilitate differentiated decision making or not. Procurement can add value to the decision making process in either case, but their contributions may take a different form.

No external partner knows the business like procurement does, but there may be external partners that can offer new insights. By accessing a broad range of knowledge resources, procurement's ability to advise the business becomes more powerful. They can then combine those insights with internal understanding about how the business works to do something more powerful than either can do on their own.



PRINCIPLE 4: UTILIZE A FIT-FOR-PURPOSE OPERATING MODEL

Procurement can't drive different outcomes, catalyze change, and provide the insights required to facilitate differentiated decision making within the frameworks they currently have. Procurement needs to alter the way they operate.

The trend in procurement operating models has been moving towards leaner, centralized teams that are more reliant on third parties. The exact details of each model - including the approach to category expertise - still varies widely by organization. The ideal operating model for each team and company allows for highly differentiated experiences based on stakeholder needs and category opportunities... procurement serves as the architect. They design the experience based on all the resources they have access to, including technology, in alignment with desired business outcomes.

People

Procurement capabilities are usually divided into people, process, and technology. But it is how procurement combines access to people, which people are needed, how to get them (both internal and external), and the operating model that they fit within that makes the difference.

Process

Processes need to be flexible so they can change based on what is being purchased, who is purchasing it, and why. It is important for procurement to avoid being unnecessarily bureaucratic - even for the sake of governance and/or compliance.

Technology

Rather than being an end in and of itself, technology should help procurement deliver desired business outcomes. Every 10X journey will be different, just as every procurement team is different. Factors such as geographical location and procurement operating model must be supported by the digital platforms put in place.



PRINCIPLE 5: EMBRACING AN ENTREPRENEURIAL MINDSET

We often talk about procurement as an internal partner. Our popular [Procurement, Inc. whitepaper](#) series is all about positioning procurement as a service provider because that's what they ultimately are. To be successful in this model, procurement must be entrepreneurial (or, in the context of working within the organization itself, intrapreneurial).

The entrepreneurial spirit is about being positive. It is about being creative when solving problems. But it is also about accountability. When the business doesn't follow procurement's established policies and procedures, procurement should reflect and find ways to improve.

Ideally, procurement will create incentives for the business to work with them willingly. That is the way an entrepreneur must think because they are building a business. To grow a business, you must maximize your customer base. This holds true for procurement as well - and takes the form of maximized adoption. 'Intrapreneurship' holds many opportunities for procurement teams to become strategic problem solvers, serving as the key link between the company's customers and the capabilities of suppliers.



PRINCIPLE 6: OVERSEE 100 PERCENT OF SPENDING

The 'spend under management' metric has caused a great deal of angst in procurement over time - and it isn't as meaningful as we once thought. We believe placing an emphasis on 100 percent oversight can relieve procurement's frustration and bring more meaning to reported results as well.

It is essential for procurement to take a step back and realize where they can have an impact and where they cannot. In some cases, procurement's impact will be limited from a strategic perspective. That is a reality. But so is the opportunity for procurement to transform the company's approach to managing total cost... generating savings as an investment in the company's growth.

As approaches to spending and supplier management evolve, procurement's involvement must adapt. Procurement may not always be involved in traditional spend management activities, but oversight is still critical. Procurement needs to know where the spend is going, which buying channels are being used, and that the money is being spent in compliance with policies, processes, and procedures.

Procurement needs to invest their time and resources where they can have the biggest impact and where the business needs them the most.

As many procurement professionals have experienced, striving for 100 percent spend under management is a recipe for disaster. Procurement cannot become a single point of failure for all third-party spend; attempting this has led to the business seeing procurement as a gatekeeper (and/or roadblock). Procurement has the opportunity to address this perception once and for all using a combination of process and technology.

CONCLUSION

As we challenge ourselves – and we challenge everyone else to join us on this 10X journey – how can we hold ourselves accountable so that it doesn't become a branding exercise? How can we make sure it is real?

A compelling visual is an effective way to inspire people, but the results have to be tangible.

This set of principles is ultimately about putting the idea of 10X into practice. 10X procurement is going to be different for each person and team because everyone is starting from a different point, but having a roadmap makes it possible to start moving in the same direction together... on the mission to 10X the impact of procurement.

#TakeAction

After reading this paper and thinking about your own unique perspective and situation, we welcome you to join the conversation - what does 10X procurement mean to you?

Contribute to the conversation with your thoughts by emailing us at contact@artofprocurement.com