



Your Foot in the Door or Seat at the Table: Use It or Lose it

An Article for Advanced Purchasing Dynamics

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February, 2010

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The economic downturn just may be the best thing that's happened to supply management.

What, you ask? How can I say that reduced sales and diminished or negative profit are good? How is massive job loss good? How is reduction in purchased volume good? How is the collapse of entire domestic industries good? How are budget and staff reductions good?

Honestly, this is the race you've been training for. And "A recession is a terrible thing to waste."

While the downturn presents difficulties on a gut-wrenching and sometimes all too personal level, there are some good things that have happened as a result:

- Pull signals from the internal business clients are increasing as organizations are desperately working to reduce material costs and operational expenses. The 2010 Hackett Key Issues study indicates that supply management organizations have used the downturn to capitalize on both the percentage of spend managed as well as the areas of spend.
- Increased involvement and enhanced policies: The opportunity to "play" in often "hands off" areas that include legal, marketing and communication, consulting and IT has never been greater.
- It's been a buyer's market – and the opportunity to lock in deals has never been greater.

Now that you have your foot in the door, what are you doing with it? If you're fortunate enough to have "a seat at the table" how do you keep it? That really depends—are your contributions to the business strategic?

Are you working purely with a tactical focus on requested solutions and projects or are you engaged strategically, with a collaborative focus on the results you're providing to the business?

First Gauge: Are your internal clients approaching you and your team tactically or strategically?

I'm using the word *client* deliberately. Supply management has focused extensively on stakeholders and insufficiently on internal clients. A client is the individual external to supply management who "owns" the results produced by your work.

To illustrate, let's say a client you've worked with over the years stops by your office and opens with, "I really need your help!"

What kind of help does that client request? The execution of a particular solution (tactical) or for you to engage to produce a result (strategic)?

Here are three sample requests for help:

Request #1: "We need to establish a purchase order for a new supplier, ABC Consulting. We've worked out the details and we just need your help to "make it official."

Request #2: "I'd like to have a supplier risk assessment performed on a potential supplier."

Request #3: "We're planning our 2012 go to market strategy, how can we reduce cost and provide leading-edge technology?"

Request #1, from the perspective of the client, is transactional or administrative.

As a recipient of the request you are "late to the party." Pushing back, while an option, has risks associated with it in long-term relationship costs.

Other examples of transactional/administrative requests are help with pricing discrepancies, invoice processing, delivery issues, access to approved supplier lists or catalog information, as well as assistance with purchasing systems. The volume of transactional requests is high, and of course, transactional work must be done well or we risk losing credibility. We can manage the high volume and often unpredictable nature by establishing catalogs and other self-service tools, e-procurement, or outsourcing.

Request #2 is tactical. Risk may be a key business issue but the solution path is already identified in relation to a particular supplier. No designated results are attached to the work. Much functional excellence work, such as establishing robust supply management processes, is tactical. Tactical work can either be done in support of a particular business need or independent of one.

Tactical work is resource intensive and of course, it must be done well or our credibility suffers. Many organizations manage tactical work through establishing centers of excellence/shared services, and occasionally BPO. Examples are market intelligence for non-core categories, supplier qualification and risk assessment.

Request #3 is strategic. The client is approaching you as a strategic business partner. The business impact/need is identified clearly. You've been asked to help think through the problem rather than deliver a particular solution set. This request meets all the criteria for strategic work:

1. Directly linked to one or more business needs
2. Initial engagement focused on defining a problem and not a specific, pre-determined solution
3. Benefits of the work are long term (1-5 years)
4. Requires multiple solutions—internal and external to supply management
5. Supply manager partners with the internal client, sharing accountability for results

Second Gauge: When asked to deliver a project or solution, how do you respond?

Do you respond as an order taker, jumping to start and manage the project request, or do you engage as a strategic business partner with the client to understand better the results the client is seeking from the work you will do together? Craig Reed, senior vice president, supply chain management, Eaton Corporation, described a critical shift in how supply management approaches internal client relationships.

"Many times the supply chain function at all levels in the company is seen as a cost center or overhead. As a result it is, 'Do this for me. I'm your customer.' Yet the value of the role in the company isn't maximized when viewed this way. The organization has to be seen as a business partner. The company should be leveraging the partner to work for mutual benefit. You should be using the (supply management) organization for the benefit of the company and I should be expected to bring more to the table. In that role my approach should be, 'Let's think strategically about how to approach situations and how we can solve key issues or problems together.'"

In our study of 15 leading CPOs including Tyco International's Shelley Stewart, the most recent Purchasing Magazine Medal of Professional Excellence winner, stated that the number one identified benefit of strategic business partnerships with internal clients was "optimized business results." Notably, the Purchasing Magazine headline article regarding Tyco was titled, "A seat at every table: Tyco wins the 2009 Medal of Professional Excellence." The article reveals how Tyco is blending decentralized and center-led purchasing to boost earnings per share.

Dave Nelson, former CPO for Honda, John Deere and Delphi and two-time Purchasing Magazine Medal of Professional Excellence winner, said that if he had the opportunity to do one thing differently, he would put a much greater emphasis on internal customer relationships. Dave acknowledges that he is regarded by most as being highly effective in that area. Dave made this statement as a keynote panelist for the 2009 ISM International Conference for

the Institute for Supply Management. He also provided that perspective as input to the ISM February 2010 Satellite Seminar on Talent and Career Management for Supply Professionals, for which I served as lead panelist.

Not only is it essential for us to engage as a strategic business partner to work with internal clients on strategic projects as well as earn the opportunity to influence business strategy and direction, but if we continue to serve as “order takers” with our clients as a tactical function, we won’t be able to continue to deliver results for the business. While price reductions may have been the request from clients that got us our foot in the door and seat at the table, our ability to engage and deliver what the business needs going forward will keep us there. Many struggling with internal relationships want to “sell” the benefits of working with supply management. The “tell and sell” mode doesn’t work well. The most effective supply management organizations “ask and show.”

Reframing Requests



Integral to the process is incorporating the technique of *reframing*. Reframing is a technique to transition the discussion away from a focus on a solution requested by the client to a discussion about the business and supplied performance results that are required. Reframing involves asking questions and connecting with the client mindset. A single solution rarely delivers strategic results. Only when the results in terms of both supplied performance and business needs are understood can the appropriate solution set be identified.

So if we return back to the second request, a response might look like this:

Internal Client: “I’d like to have a supplier risk assessment performed.” (A risk assessment is a supply management solution.)

Response of Supply Manager as Order Taker: “Sure, it will take about a week to complete. Who is the supplier?”

Response of Supply Manager as Strategic Business Partner: “What results are you seeking from the risk assessment?”

Internal Client: “We do a fair job of understanding financial risk but I’ve got a major concern with supply continuity

for the launch of our new model. I'm concerned with supply continuity at multiple tiers of the supply chain. I have no visibility to non-financial risks, and can't design countermeasures as a result."

The supply manager as strategic business partner moved the conversation away from the solution requested and has a much clearer understanding of the true issues.

Of course, this is just the beginning of the dialogue. And while there may indeed be a short-term need of a risk assessment, there may be other actions for the internal client, other functions, and suppliers to take to meet the need. But this is a great example of how what is requested isn't always what is required, or even an indicator of the larger need.

Contributing More Strategically

Uldis Sipols, of Procter & Gamble Company, another Purchasing Magazine Medal of Professional Excellence winner put it this way:

"You should have a better relationship with internal customers and be achieving better results together. By fostering strong relationships, you can be aware of, and aligned with, important strategies for the business. Doing so, ensures you are doing a higher degree of strategic and advanced work and minimizing time, energy and effort on less important transactional activities. You can focus more on the origins of cost and innovation which are typically upstream, then move to value chain and supply chain upstream work with R&D rather than day-to-day transactional activities. That would be very critical."

For supply managers to contribute to key business priorities well beyond price reductions, we must achieve new levels of partnership and engagement with many different internal client groups. For this reason, leading organizations are increasingly working to manage internal client relationships and to make explicit internal client relationship responsibilities. A few leading have even designated full time strategic business partners/client relationship managers, following in the path of HR and IT. One such organization is Pfizer. Late in 2009, CPO Lisa Martin formed an internal CRM group under the leadership of a vice president.

The Hackett 2010 Key Issues study showed that in 2010 from 10-20% of savings will come from supplier collaboration. For this to work well, supply management needs to manage effective internal relationships and effective external relationships, serving as a value integrator. Core to this achievement is adopting a new mindset that starts with the needs of the business and brings us to the table to engage with internal clients, suppliers and customers in new ways.

In our CPO study we asked, "What three things are key to incorporate when establishing and maintaining internal client partnerships?" The CPOs provided specific responses.

"By far the number one area mentioned is summarized by the category: Transparency, Face Time and Two-Way Communication. For example, having access to internal clients is essential and informal interactions foster special opportunities to partner. Supply Management organizations that appear to be most successful managing internal client partnerships co-locate with their important internal clients. If co-location is not feasible, they enable and encourage both junior and senior supply management team members to meet in person with their internal clients. These in-person meetings are especially important when relationships are forming. Also establishing single-point of contacts makes it easier for internal clients to work with supply management."

The second area mentioned by CPOs is summarized by the category: Deliver Results to the Business. There is no substitute for results. Yet this aspect was closely followed by the third area: Business Owns the Measurements and Gets the Credit. Failing to understand who needs to get the credit can create a huge barrier. Many of our CPOs said that they learned this over their career, the hard way. It isn't about getting the credit; it's about winning for the whole organization."

If you're planning on attending the Institute for Supply Management International Conference in San Diego and want to hear first-hand how some of the world's best CPOs manage strategic business partnerships with internal clients, Nancy Q. Smith of Exemplary Performance will be moderating a panel titled: CPOs Speak: Earn—and Keep—A Seat at the Table featuring Dave Nelson, Shelley Stewart and Lisa Martin of Pfizer on Tuesday, April 27th. Nancy would also love to hear what's challenging and enabling your internal client relationships.

The quotes in the article are from the 2009 Exemplary Performance Whitepaper: [The CPO Perspective on Strategic Business Partnerships with Internal Clients](#), a 2009 whitepaper featuring 15 leading CPOs.

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