

ADCONIA INSIGHTS



February 2019: Why do we like to compare?

„Last year we were able to reduce the throughput times of an order by 17% and are now among the TOP3 in an industry comparison with a tendency towards 1st place“, was the cheerful statement of a procurement manager at Smalltalk during an event. Without being asked, a comparison was started which led to the benevolent nod of the attendees. An exact definition of the comparison object, the yardstick or the conditions interested apparently nobody. Instead of questioning them, the other participants replied with their highlights of the past year.

Comparing oneself with others has always been part of our lives. Small children and their development are always compared by parents. In school, the comparison begins with the first testimony, later in physical education it is about meters or seconds. At the international level, we speak of the PISA test when comparing school performance. These comparisons then continue privately and professionally.

Companies compare themselves based on balance sheet ratios and are compared externally by rating agencies or independent tests. Awards or honors are gladly presented.

Supply chain and procurement departments are in no way inferior: Benchmarks are carried out, key performance indicators are collected via associations. To compare oneself and to derive measures from this to become better is to be welcomed at any time. But how do you emphasize in many negotiations, in price comparisons in general: You have to compare apples with apples.

The parameters of each comparison are the object, the scale, the conditions and the purpose. The object determines what is compared and by which attribute. Apple and pear can be compared if you take sweetness as an attribute. For this reason, it is also possible to compare supply chain and procurement departments, and only the correct selection of attributes is important. For the objects to be compared, it must be determined whether you want to compare internally and/or externally.

In addition to the object, the scale is decisive. This must be clearly defined and accepted by all. The sweetness of apples and pears is not compared by

tasting, but by the fructose content. This can be determined and is comprehensible for everyone. However, the conditions are also linked to this. A ripe apple certainly has more fructose content than an unripe pear. Applied to the supply chain and procurement, the conditions are to be determined based on industry, company size or number of employees and regarded as conditions.

At the end or much better at the beginning of every comparison should be the purpose of the comparison. Why do I want a comparison and what does the result bring me? Can I derive results that help me to become better?

A 17% reduction in order lead time is a great result. But for a comparison I have to know the jump, the total number of orders and the ratio of buyers to orders. I need to know and compare the number of contracts, articles and especially the average number of order items.

Hence the question to us and a very frequent discussion with our customers: What is the result of benchmarking?

Benchmarking makes sense. Benchmarking of a procurement organization should not be limited to a few key figures but should deal with the overall positioning. Where does the supply chain department stand, what does it look like in an industry comparison and what is the target model for my procurement? This is the philosophy behind our Smart Procurement Check.

To significantly reduce the throughput time of orders and to make it more effective is a target state to be striven for. And that means different numerical characteristics measured against the starting point and in the context of the overall goal of a department. Whether 5 or 7 or 17% are the right benchmark is difficult to say. The fact that the lead time must be significantly reduced, however, partly describes the goal.

Because each comparison brings nothing without goals and measures to the goal achievement. Others are not better or worse, only different. And that, in turn, can be better.

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