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May 2019: Discover the power reserves of procurement - what type of procurement manager are you?

One thing will not change for procurement managers in the future: the annual cost targets set by the management. And these not only relate to external costs and expenses, but also to internal efficiency. For almost 20 years I have accompanied the supply chain and procurement department on projects and have got to know three types of procurement managers on this issue: the doubter, the tactician and the visionary.

Very few companies can afford the luxury of not looking at their own costs, or only to a very limited extent. In the absence of competition and / or high margins, this is the case and the cost pressure on purchasing is not constantly high, as is the case with other companies. Nevertheless, it is in the DNA of every procurement manager to always achieve the best conditions for his company.

How do procurement managers communicate with the management? The daily successes in the department are hardly to be communicated any more, lighthouse projects are already in the focus of the management and are closely accompanied. But every manager is happy about proactive, solution-oriented employees who present and coordinate their goals and visions.

The simplest presentation of procurement performance is based on two key figures: Expenses (in relation to sales) and costs per expense (total costs of procurement in relation to total expenses). With these two key figures, both procurement results and process costs can be easily represented. Applied to physics, this is the procurement power: mass (expenditures) * acceleration (processes).

The question that arises again and again and every year for procurement managers: How much POWER will procurement have next year? The tactics of the three types of procurement managers are very different:

1. The doubter will never set his own goals but is regularly given them by the management. His reaction to this is always: „Oh, this will be difficult“ accompanied by a list of reasons why this is not possible.

2. The tactician decides how to proceed based on the general economic situation. In the event of falling market prices, work is done in advance and excessively high results are already booked for next year. If market prices rise, the target is set correspondingly low and a lot of effort is put into the argumentation.

3. The visionary steers his goals and proactively develops concepts to further develop procurement with the aim of positively shaping his key figures.

Only the visionary knows his own power reserves, i.e. the potential of his procurement department. About the procurement market, he knows the product groups or suppliers for which there will be cost potential due to increased competition, innovations or new supply chains. About the processes, he has the key figures ready to hand that document the area for an increase in efficiency. For the visionary, it is often more the question of what should be tackled first.

A very important point for all types of procurement managers, and if you do not recognize yourself in the three mentioned here, also for you: an external view helps and supports the question: What should I best implement when to achieve my goals? On the one hand, the comparison is always an important source of information (see also the insight „Why do we compare ourselves?“ from February 2019), on the other hand, external experience is an important building block for questioning one's own ideas.

Whether you are a doubter, tactician, visionary or your own type of procurement manager, use your POWER- reserves.

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