

# ADCONIA INSIGHTS



November 2019: Systematic use of cost levers - this is how top buyers achieve the maximum value contribution for their company!

The goal of every buyer is to increase the value contribution from procurement to the company result. The main cost levers and drivers are generally known.

In most procurement departments, specialists work on optimizing or using individual levers - e.g. the expert for digitization issues or the colleague who has many years of operational experience with alternative supply concepts.

But who can ensure that all cost levers - e.g. the design of financial flows, the increase of (process) compliance or the possibilities of active cost control - are considered and drawn with sufficient efficiency and competence?

### **Cost levers that are „difficult to operate“ remain unused - but no one likes to talk about them**

It is not uncommon for us to find the following starting situation in practice: The cost levers, for which competences are available in the own team, were „optimized“ and squeezed out again and again. As long until it is not any more possible to derive additional measurable benefits from the individual measures and “everyone” agrees that the material group has been „sucked out“ and is excellently positioned.

### **Systematic use of all cost levers makes the difference**

Unfortunately, in our experience this is often only half the truth. As long as there is an option left to really use all cost levers and the resulting possibilities - and this includes actively changing the existing framework conditions - there is still considerable potential in most product groups to increase the profit contribution of procurement for the company.

### **How can the CPO or procurement manager systematically ensure that no cost lever is ignored, and that the procurement result can be maximized year after year?**

With the necessary willingness and targeted support, it is possible with scalable effort to bring transparency into your own unused cost levers and to determine a target-oriented, cross-departmentally accepted program of measures. Within a short period of time, it is regularly possible to draw up an initial comprehensive roadmap, identify fields of action, derive concrete measures for each cost lever and prioritize them.

In doing so, it is crucial to systematically compile and evaluate one's own knowledge of the deficits in the product groups as well as one's own expertise on existing possibilities. This on the one hand from a top-level perspective mirrored with the strategic corporate goals, sustainable and future-oriented. On the other hand, we also have the knowledge of the operational possibilities and if necessary, the appropriate changes and investments that are mandatory for sustainable success in realizing cost efficiency. Strategic buyers and supply chain managers must therefore be actively involved with the relevant interface managers in order to define starting points and develop cross-departmental solution strategies.

### **Holistic approaches and overarching initiatives increase acceptance and enable synergies**

From our experience, a critical success factor in the implementation is first and foremost a holistic view of the procurement portfolio. After all, who prefers, for example, isolated digitization initiatives in the product groups, which in the end lead to a series of not ideal and possibly even inefficient isolated solutions? The consolidation and control of the individual measures in a central project management are therefore of decisive importance for the optimal use of cost levers.

In addition, comprehensive and professionally moderated initiatives with coordinated measures enjoy a much higher level of acceptance - both internally and externally. And when it comes to changing framework conditions, acceptance is critical to success when it comes to change processes.

### **ADCONIA as partner for strategy and implementation**

Our experienced consultants regularly conduct workshops with and for our customer(s) as the initial spark for a comprehensive cost optimization program. We offer a professionally moderated platform for the analysis and discussion of ideas as well as the development of solutions.

On request, we can offer you our condensed „POWER“ workshop as a first step, in which we - supported by our cooperation partner SCALUE - generate reliable quantitative evaluations of your purchasing portfolio for analysis purposes using the most modern tools and, derived from this, can delimit essential fields of action.



As ADCONIA, we advise our customers with the experience from more than 200 projects, from more than 15 years - in questions around procurement, supply chain and the digitalization of processes. Our goal is always to increase the profit contribution from procurement and supply chain.

With a correspondingly broad wealth of experience, exact knowledge of everyday procurement and a high level of professionalism, our consultants also carry out tailor-made training measures at eye level. We do this - depending on the requirements - both as sparring partners for specialists and executives with many years of experience and as trainers for experienced procurement and supply chain professionals or young professionals.

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