How to Become a Procurement Champion

What is the secret to building a prosperous, value-driven procurement organization? A holistic procurement transformation™ (HPT), and the right balance between your business and your people.
During the 1980s, procurement’s main focus was on building a well-structured strategic sourcing process. Since then, procurement has made great strides in developing sophisticated strategies, working across functions, and delivering value to the larger organization. However, while procurement leaders in a variety of industries have tested and applied many of the popular business models and frameworks to further improve this function, only a few have succeeded.

Procurement Champions find the intrinsic and personal case for change that helps employees answer, “What’s in it for me?”

We decided to look more closely at the best practices of the procurement leaders—those we call Procurement Champions—and compare their strategies to the “also-rans,” companies that simply do not measure up. We found three main areas that influence power and success: the procurement function, which serves as the main anchor point for internal and external effectiveness, and which must build a powerful departmental structure, particularly internationally; other functions that must be closely interlinked with purchasing, including R&D, finance, and production; and, finally, suppliers, whose importance is dictated by their market power and a need for their products (see figure 1). The Procurement Champion must be strong in all of these areas to achieve both internal and external effectiveness.

Figure 1  
Framework for a holistic procurement transformation

<table>
<thead>
<tr>
<th>Internal effectiveness (within procurement and with other functions)</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobilizer</td>
<td>Innovation driver</td>
<td>Procurement champion</td>
</tr>
<tr>
<td>Shaper</td>
<td>Information broker</td>
<td>Cost cutter</td>
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<tr>
<td>Beginner</td>
<td>Sourcing</td>
<td>Strategist</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>External effectiveness (with suppliers)</th>
<th>High</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less effective</td>
<td>More effective</td>
<td>Most effective</td>
</tr>
</tbody>
</table>

S Supplier  
P Procurement  
OF Other functions  

Source: A.T. Kearney analysis
There are three routes to achieving procurement excellence: **external** where the focus is on suppliers first, then the organization; **internal** where the focus is on the organization first and then suppliers; and **direct** where the focus is on suppliers and the organization simultaneously.

1. **Strategic sourcing first.** This is the most commonly applied route to becoming a Procurement Champion. On this path, reducing costs and creating value starts on the supplier side. It begins by setting an overarching goal nobody can resist—for example, achieving millions of dollars in savings immediately—so there is little initial resistance or fear within the company. As procurement makes changes with its suppliers, it builds a probable future organization by testing cross-functional collaboration on specific sourcing groups. In the end, the savings from these external changes help justify any changes in working style and drive long-term internal transformation, and employees often don’t even see the subsequent organizational changes as “change,” per se. Chief financial officers prefer this route for its ability to fund the transformation immediately.

2. **Organization first.** Global companies with divisions in different countries begin by focusing on the internal organization—rewriting the internal “rules of the game” that are specifically related to collaboration, and then taking those rules to the supplier market. Rewriting the rules begins with establishing clear roles and responsibilities within procurement and at the interfaces of headquarters and the larger procurement organization, and then establishing responsibilities between procurement and other functions. This can be done with relatively little investment. A revamped procurement organization will quickly lead to savings from the supplier market that will more than pay for the organizational investments. This route is favored by most chief procurement officers.

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**Figure 2**

**The three routes to procurement excellence**

Source: A.T. Kearney analysis
3. Direct. The direct route—aligning external and internal efforts simultaneously—can prove fastest to achieving procurement excellence (see figure 2). It also requires the most work, along with strong top management attention, the full commitment of the board, and alignment to the procurement transformation program. This is a CEO’s preferred route.

The Toolbox

Regardless of the route taken, several tools are in the procurement transformation toolbox.

Tangible results database. Setting savings goals for procurement requires the right data, to set realistic targets. Setting unrealistic targets discourages people and harms the overall initiative.

The A.T. Kearney Purchasing Chessboard®. Our Purchasing Chessboard outlines possible procurement approaches based on relative supply and demand power. Using this tool, sourcing groups obtain a better understanding of money-saving tactics. All 64 squares on the Purchasing Chessboard specify a different tool and explain how to use it, depending on a company’s supply and demand power.¹

The A.T. Kearney House of Purchasing and Supply™. Our House of Purchasing and Supply is a framework that outlines the eight dimensions to achieve procurement excellence: procurement strategy, organizational alignment, category management and strategic sourcing, supplier relationship management, operational process management, performance management, knowledge and information management, and human resource management. Our bi-yearly Assessment of Excellence in Procurement (AEP) study examines what constitutes “best-in-class” procurement.²

All Procurement Champions have one thing in common: leaders who provide resources and remove obstacles.

ROSMA®. Return on Supply Management Assets, or ROSMA, is a new tool that divides the financial results delivered (including spend coverage, process velocity, savings achieved, and compliance) by the invested supply management assets (such as staff costs and structural investments).³ ROSMA provides the hard financial data to substantiate the value that procurement generates for the company.

RASIC. This tool goes beyond a typical organizational chart to provide an overview of the organization and all of its complexity, identifying who is responsible for each stage. Within procurement, people and processes are identified as R (responsible), A (having the authority to decide), S (supporting the task), I (informed after decision), and C (consulted during the process). Procurement Champions use RASIC to define the right balance within the organization.

¹ For more information about the Purchasing Chessboard, go to www.purchasingchessboard.com.
² To read the latest AEP study, see “Follow the Procurement Leaders: Seven Ways to Lasting Results” at www.atkearney.com.
³ For more information about ROSMA, see “Procurement: The Last Best Place for Results Improvement” at www.atkearney.com.
Tapping into People Power: Five Winning Ways

People are a vital element in every procurement organization. From our analyses of the Champions, we identified five ways they keep their people engaged and focused on the goal:

**Lead the transformation.** All Procurement Champions have one thing in common: leaders who provide top-down resources, remove obstacles, and take personal accountability for procurement’s success. Particularly with the “direct” route, putting the best people in charge of change will guarantee success. As one CEO explains, “Tell me who you need for our company to have best-in-class procurement, and we will make them available.”

**Create a case for change.** Procurement Champions make a compelling and logical case for change. No matter the goal—whether to save money, to become best-in-class, or to survive an economic crisis—it is communicated clearly and succinctly for everyone in the organization to understand. Also important, Procurement Champions find the intrinsic and personal case for change that helps the employee answer, “What’s in it for me?”

**Mobilize stakeholders.** Even top managers are averse to change; no one likes to leave their comfort zone. In procurement, this is usually manifested in an extended relationship with a long-time supplier when another might be a better fit. Propelling people out of their comfort zones requires providing support and involving them in the process.

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Figure 3

**All tools and capabilities are used, but at different points in time**

<table>
<thead>
<tr>
<th>Route 1 (external)</th>
<th>Route 2 (internal)</th>
<th>Route 3 (direct)</th>
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<tr>
<td><strong>Content focus</strong></td>
<td><strong>People focus</strong></td>
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<tr>
<td>Develop tangible</td>
<td>Lead transformation</td>
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<tr>
<td>results database</td>
<td>Create case for change</td>
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<tr>
<td>Implement A.T.</td>
<td>Mobilize stakeholders</td>
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<tr>
<td>Kearney</td>
<td>Motivate people</td>
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<tr>
<td>Purchasing Chessboard®</td>
<td>Begin training</td>
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<tr>
<td>Introduce ROSMA methodology</td>
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<tr>
<td>Identify roles and responsibilities (RASIC)</td>
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Note: ROSMA is short for Return on Supply Management Assets; RASIC is a procurement organizational framework that identifies people and processes as R (responsible), A (authority to decide), S (support), I (informed after decision) and C (consulted during the process).

Box position indicates deployment at beginning, middle, or end of the transformation

Source: A.T. Kearney analysis
Motivate people. Nothing motivates people more than success. Celebrating the big victories—such as the first $20 million savings or the first big idea that works—and identifying the “stars” in the organization will keep the momentum going. Give them top-management visibility.

Train people. Everyone needs training. In procurement, that means providing training both on and off the job, such as sessions on negotiation skills and innovation workshops with suppliers. Training on emotional topics is also important, including instructing people to how to focus on those things they can influence and how to let go of the rest. Training on emotional topics—regarded as unprofessional in the past—is something most Procurement Champions adhere to because it not only helps employees understand that change is possible, but also gets everyone aboard working toward the same goals.

Every tool and capability will be necessary in any route, but at different points of time (see figure 3).

People + Passion = Prosperity

Becoming a Procurement Champion requires having the ability to achieve substantial immediate savings, and possessing what it takes to succeed in the long-term. This can be a complex undertaking, as it requires bringing together multiple interlinking parts, including tangible (internal organization and external suppliers) and intangible (people) elements. The “people” part is paramount. Every Procurement Champion has something that its less successful competitors do not—passionate individuals who are prepared to commit to the long haul. This, in the end, is the secret behind a value-driven procurement organization that enjoys continual prosperity, year in and year out.

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A.T. Kearney is a global team of forward-thinking, collaborative partners that delivers immediate, meaningful results and long-term transformative advantage to clients. Since 1926, we have been trusted advisors on CEO-agenda issues to the world’s leading organizations across all major industries and sectors. A.T. Kearney’s offices are located in major business centers in 39 countries.

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