

WHITE PAPER



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Business Acumen in Supply Management: *5 Areas of Project Leadership*

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The ability to lead complex and large dollar savings and efficiency projects with minimum oversight is vaster than it has ever been before for new and emerging professionals in Supply Management across the world.

Strategic Sourcing and Supply Management has become a go to profession for many new college grads and emerging professionals across the world. It has also pulled many experienced professionals into the space due to competitive salaries and opportunity for growth domestically and abroad. The criticality of a corporation to save money in a fast pace ever changing competitive environment is clear when sales are down.

However, even when revenue is up, it is just as important to reduce risk to production by avoiding supply based manufacturing or resource deployment interruptions. In government and military, a continuously flow of supply and services for rate payers and troops in the field can't be done without a strategically managed supply base of small businesses, vendors, and suppliers. Therefore Supply Management professionals, whether old or new, must continuously sharpen their skillsets to meet the demands of our corporate organizations and government entities.

Did We See Supply Management Coming?

To better understand the capability, business acumen, and leadership needs of the Supply Management Professional, one must understand the growth of Supply Management over the years. Less than 30 years ago the profession was widely seen as an inventory management and purchasing activity. Professionals in this space were responsible for checking inventory levels and

cutting purchase orders to make sure production never ran out of raw materials.

In fact, many top Supply Chain Universities across the world had not formally established a Supply Chain program prior to the year 2000. That is just 15 years ago! One of the top schools in the World, my Alma Mata, Michigan State University (MSU), merged 3 concentrations together to create its Supply Chain Powerhouse. MSU took Purchasing, Operations Management, and Logistics and morphed it into Supply Chain Management just in the late 90s.

What exactly is Supply Management?

Before exploring the business acumen and leadership need, lets address the famous question Supply Management Professionals encounter often from family, friends, and cross functional work colleagues. The question of, "What do you do?" is usually strategically placed at the dinner table during the holidays or at the bar after work when you are trying to unwind from a long day with folks from the office. This is tough! Only if we were doctors, lawyers, professional athletes, or accountants, this question would be much easier. Unfortunately, this becomes the moment of truth for many of us. The reason for the delayed response for most of us is mainly because we must loosely define Supply Chain before defining our roles in the vast Supply Management space. In comparison, many people see doctors and lawyers on hit television shows across the world. We grow up watching and idolizing our favorite sports stars everyday whether they are aiming for the World Cup or Super Bowl. And everyone falls victim or knows someone who has been impacted by tax accountants at some point of our life telling us that we should, could, shall not deduct on our taxes.

Let's take a shot at Supply Management.

I am going to define it as the process of securing goods and services at the right cost and getting it exactly where you need it to be, when you need it. Imagine going to the market to get food to feed your family. Depending on your list, this could be quite a task. How many eggs, what is the best cut of beef, tea or coffee?

Now imagine going to the market to feed a million diverse families from different regions of the world. This is what some Supply Management professionals do every day.

In translation, we supply our manufacturing plants products, our rate payers with services, and our military troops with supplies. We may buy \$50M (US) of lumber for houses, \$75M (US) of fibers for mattresses, or \$125M (US) of Construction Services to help build a new plant in town. Supply Management Professionals may put in place new policies and procedures for Distribution Centers for Wal-Mart, or may deliver products to your door step from Amazon, FedEx, or UPS. Supply Management Professionals have come a long way holistically from cutting a purchase order and dropping it in the mail.

So What Does That Mean for Supply Management Professionals?

The amazing world of Supply Management has become so dynamic and complex over the years. Hence there is a need for the continuous growth of business acumen and leadership capabilities. So I've mentioned that before, but let's really understand the message. Let's start with the financial income statement. Revenue minus Direct Cost equals gross margins. In order to be competitive, organizations must increase Revenues and/or find ways to decrease spending.

Over the years, most organizations have learned what governments knew all along....every dollar earned in revenue is decrease by your direct cost rate prior to hitting the bottom line. However, a dollar saved goes directly to the bottom line or the ability to prevent from tax increases. In other words, we are now closer to the financial performance success of our organizations and government entities than we have ever been. Supply Management Professionals now lead cross functional cost savings projects, support working capital programs to assist with cash flow needs, and ensure deliveries are made on time and to the right place to limit production risk.



Leadership in Our Profession

Whether identified as a Buyer, Purchasing Agent, Sourcing Specialist, Sourcing Analyst, Contract Manager, Finance Analyst, Production Planner, Materials Specialist, Storeroom Supervisor, Inventory Analyst, Distribution Supervisor, Shipping Clerk, Supplier Diversity Specialist, Supply Chain Coordinator, or Supply Chain Analyst, it doesn't matter.

If we are more experience maybe we are a Sourcing Manager, Supplier Quality Engineer, Category Director, Warehouse Manager, Purchasing Manager, Materials Manager, Project Manager, Supplier Diversity Director, VP - Supplier Diversity, VP - Sourcing, VP - Supply Chain, or CPO (Chief Procurement Officer).

Regardless of our title, we are all business savvy entrepreneurial leaders responsible for our categories, suppliers, spend, facilities, plant locations, budgets, etc. Therefore, working in and leading cross functional teams is a must for most Supply Management Professionals to represent organizations and government entities to thousands of incumbent suppliers and prospect suppliers in the supply base.

Hence, we must have the right framework to lead our organizations and government entities through multifaceted and complex projects.

I was in the Pharmaceutical industry in the late 2000s and use a model that I felt was a life saver. I was responsible for progressing and closing out a \$865M (US), 8 country, 25 site fixed fee Integrated Facilities outsourcing deal with a 4 person sourcing team. Needless to say, dependency, coordination, and leadership of cross functional resources and content experts were critical. Nevertheless, it dawn on me, that my team needed to quickly enhance our business acumen and project leadership capabilities in 5 areas to be successful with this industry transformational project.

1. We surveyed the environment
2. We planned, planned, and planned our approached.
3. We executed the plan, but also prepared for detours.
4. We formally ended the project
5. We documented the facts along the way

Five (5) Areas of Business Acumen Focus and Project Leadership

1. Survey your environment well to start

We needed to have our arms around the specifications, supplier capabilities, and scope among other things in order to even have a chance at controlling this complex project.

2. Plan, plan, and plan your approach

The famous saying is to “measure twice and cut once.” We found ourselves continuously critiquing our approach internally so we could endure less scrutiny from our internal clients or the supply base if things didn't go their way. In this size project or any size project, everyone will not get there way.

3. Execute your plan, but also prepare for detours

Near the end of the down select process, one of the finalist suppliers asked finance and myself how they should invoice. Simple question, but yet dynamic in nature when you consider fluctuating currency exchange rates of 8 countries over five years, system limitations, and human error factors of processing thousands of invoice line items by site per month. Wow!

4. Formally transition your project

Some people would say that some projects in nature never end. I never believed that. On this deal we formally noted who the processes should be handed off to once the project was done, as well as, laid out a roles and responsibilities to clearly identify our Procurement team's role during and after implementation. This is a nice approach regardless of size of the project.

5. Document your findings along the way

Along the journey, we knew telling the story of how we arrived to conclusions and final recommendations would be just as important as getting to the conclusions and final recommendations. For this reason, we documented savings, skilled resources inside of our suppliers' organizations, assets we let our suppliers borrow to deliver services, our working capital impact among many other components of the deal.

When all was said and done, we had many successes and took \$135M (US) in cost out of our spend. Everyone on the team are now in different leadership roles in the Supply Management industry and we all look back on the journey we experienced together as a platform for our growth in our careers. I am proud to have lead such a global and cross functional initiative.

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