

Improving procurement

In an exclusive interview, JOSEPH RAUDABAUGH explains the importance of procurement in managing through the crisis, keeping costs down and maximizing business performance.

What are the main challenges for companies that are struggling to deliver procurement results consistently? How are you tackling these challenges at A.T. Kearney?

Joseph Raudabaugh. We typically get involved with a client at some trigger point, such as when a new CEO, COO, CFO or CPO wants to change the procurement game. The new leadership knows sourcing, knows that it can be done better and expects results – quickly. We collaborate with our clients – understanding their mandate, leadership style, culture and values – to deliver tailored, sustainable solutions. We change the positioning, tackle the inertia, bring visibility to more than 95 percent of the organization’s spend quickly, provide consistency, take on virtually all the addressable enterprise-wide spend and apply technologies appropriate to deliver the prize.

Chief procurement officers are under pressure to keep purchase costs down and enhance the value of supplier relationships. What effect has the current economic crisis had on this sector?

JR. The current economic crisis is marked by unprecedented price fluctuations and a capricious supply base. This volatility, largely independent of sector and geography, magnifies the opportunities and challenges for CPOs. Leading CPOs are adopting commodity hedging strategies and capabilities to build in pricing predictability. They are also aggressively leveraging their buying power and consolidating their supplier base to stronger suppliers. The result: better terms with the same or lower risks.

Typically, companies might source 40 to 45 percent of their spend in a given year, but with the crisis, we are seeing leaders target more than 80 percent by the end of 2009. Additionally, CPOs are more actively engaging key suppliers to find joint cost-reduction opportunities, simplify touch points and processes, develop innovation opportunities and ensure supplier stability.

How does your solution help companies address the difficulties of the current market and maximize results?

JR. Because we do not offer standard, off-the-shelf solutions, we can be agile in helping companies customize an approach that best meets their unique business challenges, within their individual timelines and budgets.



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We also focus on leading-edge solutions. For example, we use a collaborative optimization offering to help our clients set a broad range of business constraints, which allows suppliers to provide more options and better solutions. This approach unlocks more value for clients and suppliers alike.

Within each client project, we also incorporate quick hits, or near-term results. These have always been valuable in transformation programs that require a significant level of change management and involve building credibility over time. Quick wins not only build support for long-term goals but also achieve the near-term results that companies need to weather the current storm.

How do you see the procurement sector evolving over the next six to 12 months and why? What is at the top of your agenda during this time?

JR. We see two priorities: managing through the crisis, and focusing on long-term growth using collaboration tools and preparing for the ‘iGen’ workforce.

First, CPOs must navigate the crisis by conserving cash and managing supplier risk. Deep dives into complex spend categories that may have previously been off limits – such as legal, marketing and contractors – are generating amazing results and affecting how a company improves its long-term market competitiveness.

Second, future leadership requires getting ahead of the curve by connecting with iGens and adopting their collaborative networking tools. This generation, now entering the workforce, will fundamentally change how, where and by whom key decisions are addressed.

People who can perform real-time collaboration of design, sourcing, innovation and market intelligence will be the keys to business success. If procurement wants to continue on a journey to become truly strategic, it must adapt to these advanced technologies and demonstrate its ability to lead a more collaborative workforce. Collaboration technology and iGens will bring transparency to how we lead and operate, just as e-sourcing brought transparency to the negotiation process. ■

Joseph Raudabaugh is President of A.T. Kearney’s Procurement & Analytic Solutions unit. With more than 25 years of industry and consulting experience, Raudabaugh supports global companies in addressing complex supply chain issues and in building leadership skills in procurement.