

Attaining a World Class Supply Management Organization through Strategic Initiatives

**Dr. Peter E. O'Reilly, C.P.M.
Chief Procurement Officer and
Associate Vice- President
AMERIGROUP
757-321-3501—drpor@aol.com**

Goals of a World Class Supply Management Organization

- One Supply Management Voice
- Create a Collaborative Team Environment
- Control 90% of Enterprise-wide Spend
- Achieve Expense to Savings Ratio of 8:1 or Higher
- Integrate Technology
- Establish Metrics

Problems/ Hurdles

- Lack of Resources
- No Direction (or Vision or Plan)
- Too much transactional work to overcome or “I do not have time to think, much less plan.”
- Corporate Culture or History
- Organizational Structure

How to Overcome Cultural and Organizational Barriers

- Do not take “**no**” as an option.
- Know your stakeholders (CEOs, CFOs, purchasing personnel, etc.).
- Patience and persistence.
- Have a plan and or a vision.
- Listen first, second, third,...then talk!
- Have a time line in mind.

How to Overcome Cultural and Organizational Barriers

- Be honest!
- Establish trust!
- Address historic factors, especially negative events.
- Be flexible!
- Show how strategic sourcing initiatives can result in career opportunities.
- You have something they want.

Focus Points on Attaining a World Class Supply Management Organization

- Expanding the role of customers in planning activities.
- Increasing the interactiveness of suppliers.
- Giving senior management a role in Supply Management.
- Establishing a professional staff.
- Selecting and integrating the correct technologies.

Expanding the Role of Customers in Planning Activities

- The objectives here are to:
 - Increase customer participation
 - Create a cooperative atmosphere
 - Educate your customers
 - Expand savings opportunities for the customers
 - Establish a Team environment

Expanding the Role of Customers in Planning Activities

- Quarterly Planning Sessions
- Monthly Conference Calls
- Focus Groups on New Products and Services
- Supplier Performance Scorecards
- RFP/RFQ Teams
- Meeting with Support Units

Increasing the Interactiveness of Suppliers

- The objectives here are to:
 - Better utilization of supplier expertise
 - Stay current of new products and services
 - Compliment possible staffing shortages

Increasing the Interactiveness of Suppliers

- On-site staffing
- Outsourcing
- Supplier Councils

Giving Senior Management a Role in Supply Management

- The objectives here are to:
 - Help set priorities
 - Clearly establish desired long term and short term results
 - Buy in
 - On the job training
 - Use as a resource
 - Help them earn their salary

Giving Senior Management a Role in Supply Management

- Quarterly lunch time strategic sessions
- Presentations at senior management planning meetings
- Participate in departmental off-site conferences
- Focus on savings- realized and potential
- Go over new products and services that can impact their operations or the company's bottom line

Establishing a Professional Staff

- Retain and motivate quality professionals
- Recruit and hire--- pay more to get more
- Develop an appropriate professional development program
- Creating a Team spirit
- Staff needs to be able to multi-task
- Lead by example

Establishing a Professional Staff

- Cross training every 18-24 months
- Provide opportunities for growth
- Demonstrate why professional growth is important
- Include staff on departmental planning sessions that include goals and objectives

Selecting and Integrating the Correct Technologies

- Cut through the myriad of existing technologies
- Match up technology with corporate culture and bottom-line corporate objectives
- Be realistic on the impact of technology on the operations of Supply Management and the corporation, especially involving implementation schedules and savings

Selecting and Integrating the Correct Technologies

- Make your technology compatible with other corporate technologies
- Demonstrate how your technology will benefit other departments
- Bring other stakeholders (such as Finance, I/T, Legal, etc.) into the technology selection process

The Role of the CPO

- Provide for a Vision and or Plan
- Be realistic
- Be flexible
- Be a Team player
- Be brave, courageous and true
- Ask for help when needed
- Stay the course, especially when you hit a speed bump

Measuring World Class Status

- Develop a weighted scorecard
- Have various stakeholders (such as the CEO, CFO, CIO, CAO, SVPs of key support and customer groups, etc.), as well as the Supply Management Team, involved in the creation of the weighted scorecard

Measuring World Class Status

- Potential factors for a World Class Weighted Scorecard:
 - Savings to expense ratio
 - % of corporate spend through SM organization
 - % of spend through technology
 - Customer satisfaction survey results
 - Senior management involvement
 - EPS results due to SM initiatives
 - Professional development factors, such as turnover, certifications, etc.

WORLD CLASS SUPPLY MANAGEMENT SCORECARD

Factors	Raw Score	Weight	Weighted Score
Savings to Expense Ratio		0.22	0
EPS Results due to SM		0.15	0
% of Corporate Spend through SM		0.15	0
% of Corporate Spend through Systems		0.12	0
Customer Satisfaction Results		0.18	0
Senior Management Involvement		0.08	0
Professional Development Yardsticks		0.10	0
Total		1.00	

Closing Thoughts

- The process can (and should) be challenging and rewarding.
- The benefits can be wide spread.
- Metrics are valuable tools for many purposes.
- Moving forward is better personally and professionally.
- People like playing on “winning teams”.