

## What Makes Procurement Leaders Different?

### First, they Simply Manage more Spend, ATKearney Study Says; Collaboration and Advanced Measurement also Key

#### SCDigest Editorial Staff

In all sectors and functions, there are leaders, followers, and laggards. What's often difficult, however, is really identifying what makes those leaders different from the rest.

Every few years, the consultants at ATKearney take a look at this question in the area of procurement.

One finding that is perhaps obvious at one level but a bit non-intuitive at the same time is that the top procurement organizations simply manage more of a company's total spend – and generate more total savings as a result.

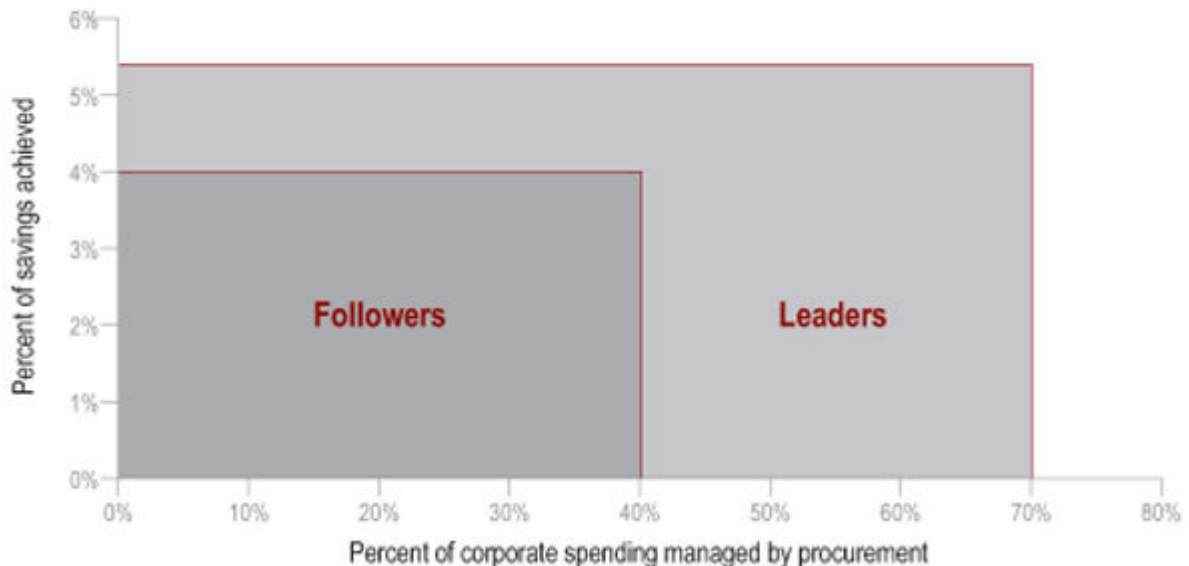
As shown in the graphic below, the companies Kearney classifies as procurement leaders manage about 70% of the enterprises total spend through the formal pro-

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urement organization, versus just 40% for the followers. Kearney also finds the leaders deliver almost 5.5% spend savings, versus just 4% for the follower group.

Of course, there are questions about cause and

Study leaders capture more savings



**What Makes Procurement Leaders Different? (Con't)**

effect? What is it about managing more of corporate spend that causes a greater total cost reduction percentage? Or is it that the more capable procurement organizations that deliver better total results naturally assume more and more responsibility? Or some of both.

Kearney also goes on to say that procurement leaders exhibit the following organizational qualities:

**Focus on Collaboration.** Leaders expand and augment well-accepted practices such as strategic sourcing, category management and supplier relationship management. They employ new techniques with their suppliers, including innovation networks, product tear-downs, collaborative cost reduction and price benchmarking. They are more likely to use collaborative design initiatives with suppliers, or to work on common

strategies, such as sustainability. Kearney says 70 percent of leaders collaborate with suppliers to the level of shared compared to just 6 percent of the overall study participants.

**Focus on Risk Management.** Procurement leaders are more likely to use advanced internal risk mitigation strategies to avoid supply disruptions. Some are also factoring in megatrend analysis to understand the potential impact of trends such as population growth, improved standards of living and alternative energy sources. (See graphic below.)

**Broader use of Emerging Markets:** Almost 80 percent of companies, and 100 percent of the leaders, source from emerging markets. Study participants anticipate sourcing more from Brazil, Russia and India in the next several years, and less from China, Southeast Asia, Mexico and Eastern Europe, due to concerns over quality, safety and intellectual property issues.

