



\$43 Million Procurement Strategy

By David Byrne

All organisations should have a procurement strategy and I take a very different view on this as I believe procurement should be a revenue and not an expense to a business. As such I view procurement somewhat differently to others as I see it as having tremendous opportunities and real potential within a business to deliver value to the organisation. In looking at it from that lens I have done a few things that most people haven't and I would like to explain how I created a company that generated \$43 million in 5 years.

I joined a financial institution that had no procurement strategy or framework. I then went about setting up the framework and focused on three key goals to achieve this – firstly to stabilise the business. I have spoken about this in other episodes where initially the framework focused on four values:- value for money, be quality driven, leverage contract opportunities and build strategic relationships.

After stabilising the business I then focused on the second aim which is to deliver results, pick up quick wins within the organisation and to significantly deliver value to the business from the procurement perspective. I did this within the first two years and achieved \$11 million in savings within that time.

I then started to think about strategies and where I wanted to take procurement within the organisation. Strategy is about making choices and trade-offs and is about deliberately choosing to be different which is what I did when I sat back and took a look at this organisation and its procurement and where I wanted to take it. I looked at the strategy and it being a plan of action designed for a long-term goal as I wanted to achieve significant value for procurement. I realised I was going to continue to make savings, but sometimes savings are taken for granted within any business and seen as a natural outcome for any procurement professional.

However, I wanted more and as Milton Berle said "If opportunity doesn't knock build a door", so I did. I sat back and decided to outsource my team to grow the business and I put together a business case, which was the most profitable business case ever presented at this organisation. Ironically at the time all the other business cases being put forward for approval were expenses to set up projects, whereas mine was the only business case designed to generate revenue of approximately \$60 million in profit annually, so for procurement to generate \$43 million over 5 years was a fantastic result and clearly stood out.

I always believe that if you don't make plans for yourself somebody else will and I didn't want to wonder and be a rudderless ship and have no clear direction and drift along without reaching my goals. So, I took control and decided I was going to grow the business myself because I wanted to leave a legacy that I would be proud of.

So, what does it mean if you don't have a strategy. This can lead to lost value and lost opportunities within the organisation and that is what it really boils down to. There will be no opportunities and no value if you don't have a strategy on which direction you want to take the organisation. This is why I believe there are tremendous opportunities out there for procurement professionals to put together a strategy and take procurement within your organisation in a new direction. Change it from being an expense to a revenue, look for opportunities – it could be a joint venture opportunity or some other initiative out there. They are there you just need look and think hard, identify the opportunity and go for it.