

# Winning with Procurement



On 4 November Huthwaite International hosted a one-day seminar headlined **Winning with Procurement at the Grand Connaught Rooms in central London. The event, with its line-up of 10 internationally recognised speakers, proved hugely popular, drawing 120 delegates from as far afield as Canada.**

The day was arranged following recent research studies conducted by Huthwaite that revealed some new, and intriguing, insights.

Huthwaite CEO, Tony Hughes, explains *“At Huthwaite we have a long history of ground-breaking research, and our recent work in the areas of procurement and negotiation are no exception. However we go beyond research, developing best practice models for how commercial professionals, both buyers and sellers, adapt to the changing world our research reveals. This seminar is our latest contribution to that process.”*

Tony kicked off the event by outlining the scope of the research project that underpinned it, pointing out the research had taken four years, covered 22 market sectors and involved gathering over 6,000 pages of interview material. He picked out a number of key findings, most startling being those relating to the, now common, purchasing practice of restricting sellers' access to the decision makers during the bidding process. The research showed that, when new sellers, with no existing relationship with the buying company, adhered to the 'no contact' policy their success rate was less than 0.5%. However when selling companies found ways of getting round the

policy their hit rate rose to 56% and in only one case had a selling company been disqualified from bidding as a result.

These findings set the scene for the speakers that followed. Those speakers, and their key messages, were:

## **John Wheeler**

*Global Account General Manager, Xerox*

John led with a fascinating insight into the changing role of procurement, from tactical and 'traditional' to strategic and innovative. He added that this new willingness to embrace innovation was leading procurement to expect more collaboration between suppliers and to an increased willingness to accept managed risk in return for appropriate reward.

## **Larry Beard**

*Interim Procurement Director, Aer Lingus*

Larry pulled no punches with this direct presentation entitled 'What successful seller do differently'. He openly declared *“we (procurement) don't want to be your friend”* and pointed out he would attempt to commoditise every sales proposition he received. However he did go on to acknowledge that unique selling propositions, properly communicated and focussed on the customer's short and long term objectives, backed up with a strategic plan and good KPI's, are hard to resist.

## **Peter Smith**

*Managing Director, Procurement excellence Ltd.*

Peter looked specifically at how to buy professional services, and what that means for sellers. He began by summarising what makes buying professional services different by

**“On the evidence of this conference, Huthwaite clearly has a valuable role to play in bringing together the buyer and seller communities.”**



highlighting that such services are often mission critical and usually bespoke, and that success can be hard to define – even after the event. This leads, during the buying process, to badly defined requirements and the selection of the wrong partner, compounded by poor project management. Peter laid responsibility for resolving these issues with both sides, summarised as ‘clear deliverables + understanding of the market + focus on value + the right behaviour = client value’.

### **Owen Williams**

*Global Bid Director, Clifford Chance & Cameron Smith, Managing Director LLPS Consulting*

This ‘double act’ gave a balanced view with Owen representing sales and Cameron procurement and was again focused on the professional services market. It built on the previous presentation by detailing the traditional view each ‘side’ had of the other and what they now see happening to change those views. They concluded with advice for both sellers and buyers which they summarised as; understand each other’s strategy & goals, consider how to help the other party strengthen their position, create open honest dialogue, share lessons learned, and if in doubt – talk!

There then followed a lively and entertaining panel discussion with speakers taking delegates questions, followed by lunch. The afternoon sessions followed, kicked off by:

### **Stephen Wills**

*Procurement Director, AXA*

The title of Stephen’s presentation, ‘Cost out and value in’ was identified by delegates as one of the most succinct and compelling messages of the day. Stephen spoke of the impact differentiating cost and value was having on the procurement function at AXA and about how

developing Supplier Relationship Management was a key part of their strategy. He spoke of engaging three communities, the business in general, buyers and suppliers, to build business and results recognition as a platform for broader engagement and ‘cost out, value in’. He went on to describe his goal of a procurement team who are commercial, engaged and professional, using a structured process to meet the needs of the business.

### **Todd Snelgrove**

*Global Value Manager, SKF*

Todd picked up the focus on value vs. cost raised in the previous presentation and addressed it from a sales perspective. In particular he looked to compare and contrast unit price and true value, which he defined through Total Cost of Ownership (TCO), or in the case of services, Total Cost of Relationship. He summarised his role as helping SKF’s sales operations explain to customers, “*It’s not how little you pay, it’s how much you get*” and set this against a backdrop of buyer resistance, namely: Price is measurable (value isn’t), price hits bottom line now (value doesn’t), price is guaranteed (value isn’t), getting lower prices is easy (getting value takes work) and buyers are measured on price reduction not TCO. Todd went on to point out that, by measuring all the factors and considering the product/service lifecycle, effective sellers help their customers to measure and buy using TCO/value rather than unit price and to recognise the downstream benefits of doing so.

### **Tim Cummins**

*CEO & President, International Association for Commercial & Contract Management (IACCM)*

As the head of a professional association Tim can quite rightly claim to have a foot in each camp and, unsurprisingly, brought this balance

***“Overall an excellent day and extremely good value.”***



to his assessment of the world we now operate in. He commented that procurement is *“aspiring to make it to the top table but is not there yet”* and sees sales as having a role in helping to achieve this goal. He sees a need for greater integration between the two professions but observed that blocks still exist. For example he still sees sales organisations that are unwilling to engage with procurement unless forced to do so, whilst procurement want to engage but aren't good at it. In the meantime trust, a vital ingredient of any successful partnership, is being undermined by what he describes as tribalism.

#### **Alfredo Morate**

*Vice President, Schindler*

Alfredo engaged the audience with a lively and colourful presentation, opened with the observation *“sellers sell, buyers let you sell; sellers sell low, buyers let you sell”*, neatly positioning the difference between the two roles. He emphasised the point further, *“Men always want to be a woman's first love, women like to be a man's last romance”*, suggesting that each party needs to be attractive to the other. He went on to suggest buyer behaviour is largely predictable and could be countered by focussing on value and restoring the balance of power. He continued by offering further advice; build strong negotiation skills/strategies and recruit your own procurement professionals into your bid team, both during planning and at the procurement negotiation itself.

#### **Martin Webb**

*Managing Director, Value Dynamics Ltd.*

Martin began his presentation by comparing the official history of the buyer/seller relationship, from the adversarial 70's to the mature, integrated 2000's, with the reality – *“a profession bedevilled by fashion and fad”*, and

went on to support his proposition with several hard-hitting quotes that demonstrate we are far from the mature integrated paradise the theories espouse. Returning to a theme that was consistent throughout the day he suggested adversarial, price dominated procurement is still around, and that sellers must focus on value by understanding and meeting the customer's business objectives to overcome them. He added a pragmatic note by observing that not all procurement departments have the same level of sophistication, and it is the sellers' role to recognise how mature any customer is and behave accordingly.

The day was wrapped up with some further comments from Tony Hughes who drew parallels between the speakers' observations and Huthwaite's own findings. Tony opened his session with a quote, *“If you can't quantify your value in clearly understood terms – don't be surprised at the failure of procurement to do so.”* He went on to capture the essence of the day's presentations by summarising Huthwaite's finding in three key areas, namely: demonstrating quantifiable value, proactively influencing the bid process, and engaging with procurement - early and often.

The day concluded with a drinks reception and networking session, attended by many tired, but stimulated and engaged, delegates. The event clearly lived up to its billing with post-event feedback providing universally positive reviews.