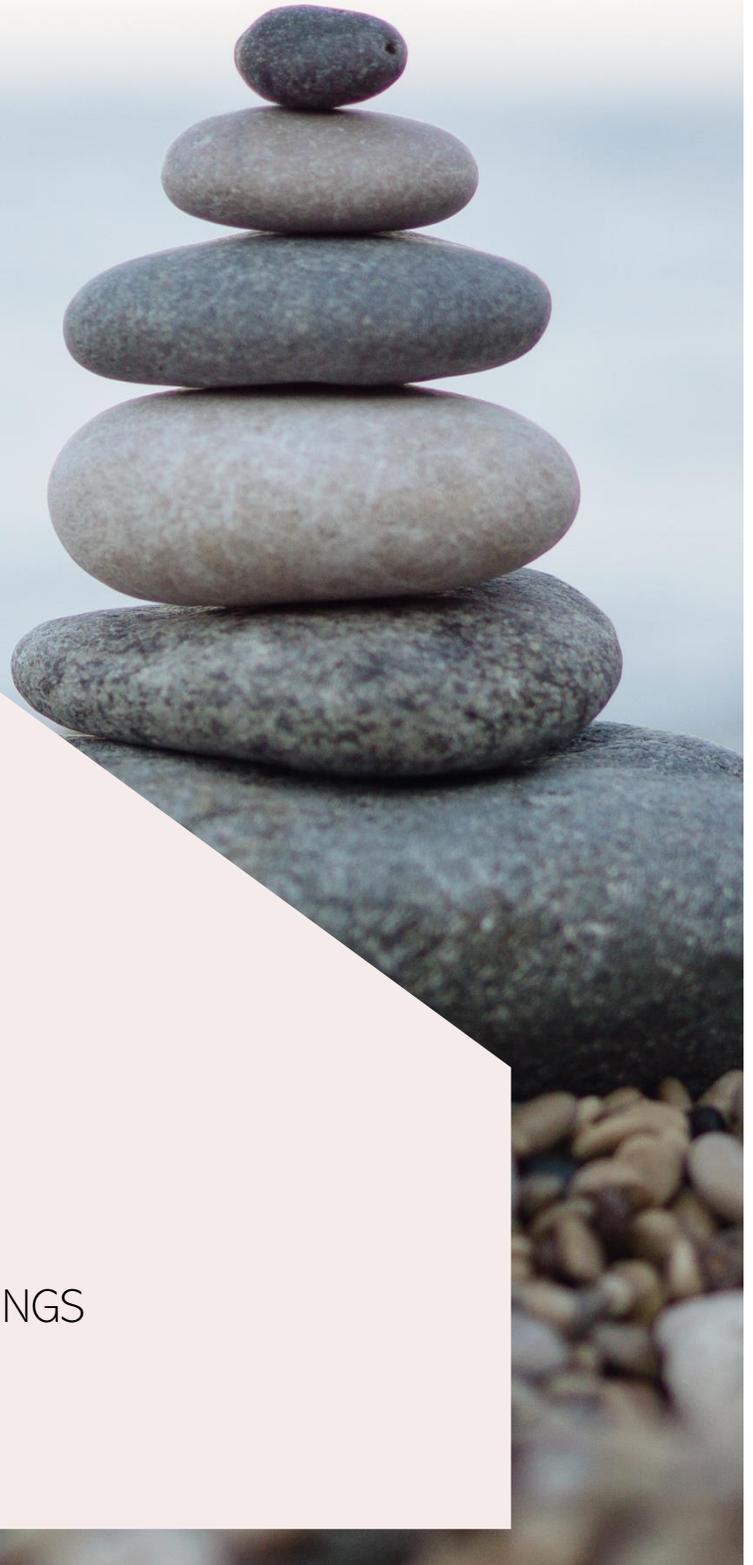


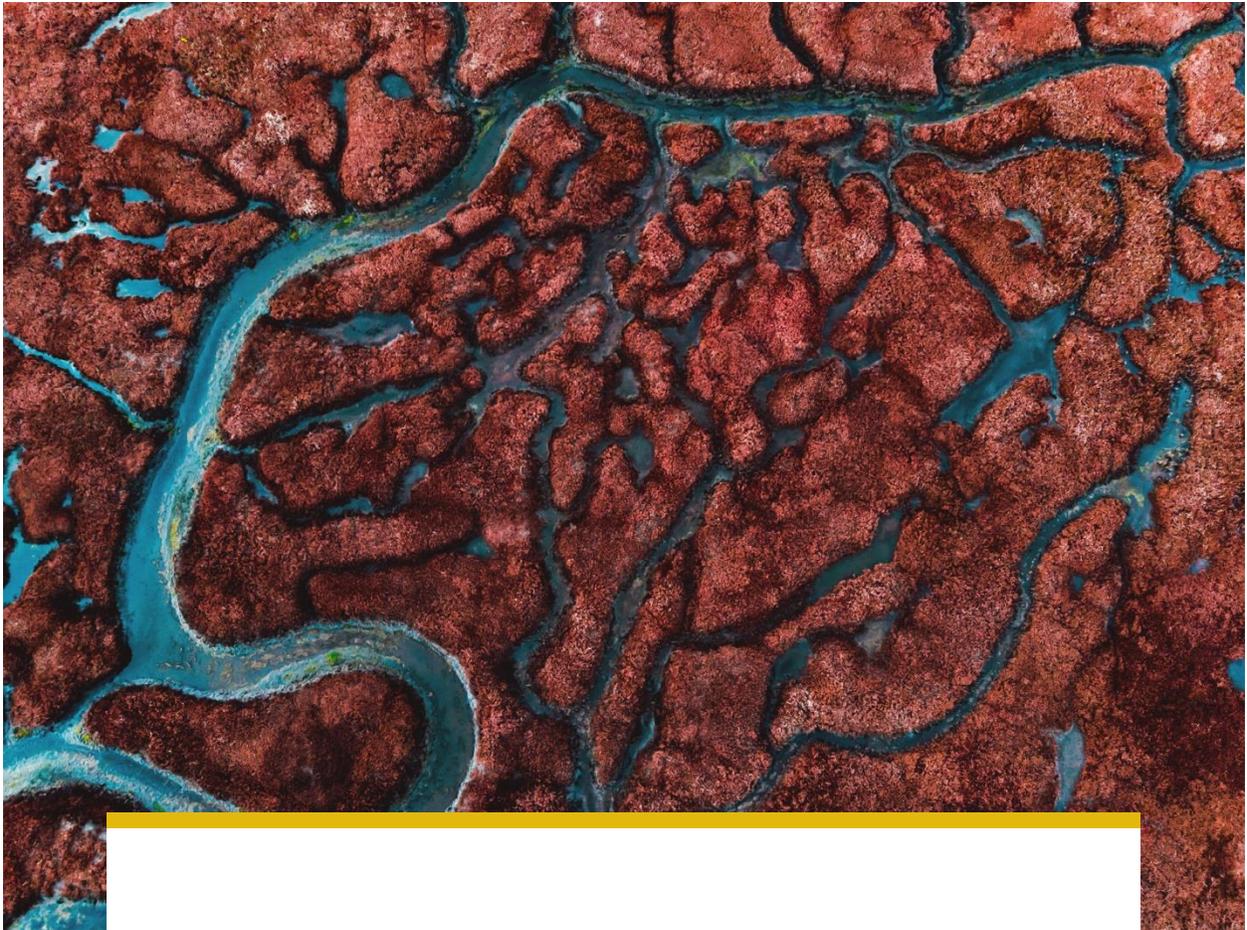
# 5 Steps to Creating a Successful Procurement Strategy



KEYSTONE  
Procurement Solutions



STRATEGY  
SUPPLIER RELATIONS  
IMPROVED QUALITY OF EARNINGS



## Keystone Procurement Solutions

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At Keystone Procurement Solutions we believe in maintaining a positive mindset, creating value from partnerships with a purpose, and always striving for significant outcomes.

When you work with Keystone Procurement Solution, you should expect a collaboration with transparency and consistency. Want to learn more? Contact us today for an initial consultation.



“Desires remain  
only desires  
until a **strategy**  
is made to turn  
them into  
reality.”

– Nitin Namdeo



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# INTRODUCTION

## WHAT IS STRATEGY?

To maximise its value contribution all Procurement teams should have a strategy aligned to the wider corporate goals.

This strategy should be the map used to plan the journey and destination of the team and should be revised at least 6 monthly alongside the overall corporate strategy.

But what is Strategy...?

A business strategy outlines the plan of action to achieve the vision and set objectives of an organisation, or team, and guides the decision-making processes to ensure delivery of this plan. It can be financial or non-financial, or a mixture of

### How does this definition of strategy fit into the procurement arena?

Importantly a procurement strategy defines a plan for optimal business spend, procurement management functions, and other value contributions in a manner that supports the overall corporate agenda. Without even the most basic strategy in place, it's far more difficult to know whether your procurement team is aligned with the corporate strategy and whether or not progress is being made.

As all Procurement teams are unique as well as the focuses of those teams, as a direct result there is no off the shelf strategy that can be applied to all teams. Strategies will be influenced by several areas including experience, external stakeholders, and time pressures.



How your strategy will form will depend on the overall corporate strategy first and foremost, but also the position of the Procurement team in the essential operations of the business, external market influences as well as the current maturity of the existing procurement team. However, it remains true that the existence of a Procurement Strategy is the most important detail pertaining to the overall strategy.

Below are 5 stages to follow to make developing your strategy as easy as possible:

1. Understand where your procurement operations are today.
2. Identify what's important — to the procurement organization as well as to the overall company.
3. Define what success looks like.
4. Develop measurable targets that define success.
5. Implement and measure your strategy.

### Step 1: Existing Team Deep Dive

Without first understanding the Procurement teams standing, strengths and improvement opportunities it is difficult to baseline current performance and ability and therefore progress towards the desired high performing team in your strategy.

For most teams, inc. procurement, this baseline can be drawn by understanding two fundamentals:

1. Understanding how your (Procurement) team is currently adding or creating value; and
2. Understanding your (Procurement) team's current operational efficiency and effectiveness.

Example efficiency metrics and baseline elements include:

- Term Cost per £ Spent
- Spend per employee
- Order to delivery delay
- Team size vs. other teams
- Budget cost per employee/supplier
- Staff Turnover
- Number of lines per order
- Cost per line ordered
- Cash to Cash Days

Common effectiveness metrics and baseline elements include:

- Total Spend Value
- Value of managed spend
- Percentage of suppliers/spend contracted
- Total £ savings and as a percentage of spend
- Team ROI
- Category Growth
- Number of Approved Suppliers YOY
- Savings/Revenue Streams

The above are very tangible measures that are likely to deliver a very subjective, almost binary result which makes the effective in accurately setting your baseline.

When it comes to planning changes, improvements, and the direction of growth in your team it is also useful to consider more subjective measures.

Excellent sources of this insight could be internal stakeholders like employees as well as external stakeholders like suppliers.

These stakeholders are likely to help to identify what is working well and areas to be targeted for improvement.



A third source of insight when setting your baseline is understanding where your team sits today vs. Industry benchmarks. If this information can be compiled reliably then it can result in a good understanding of how your team performs peers and best in class within the industry as well as again identifying areas that can be targeted for improvement.

Step 2: Where Do You Want to Be?

After establishing your line in the sand and opportunities identified, it's important to consider key synergies and influences in the corporate strategy and where relevant building a procurement solution. These objectives will differ greatly from business to business. In times of growth (new business) speed may be preferable over cost savings, however in a mature business may favour customer service, brand values and cost improvements.

Once established and understood the corporate strategy can be mapped to the procurement strategy. Identifying a procurement action that can support the overall objective.

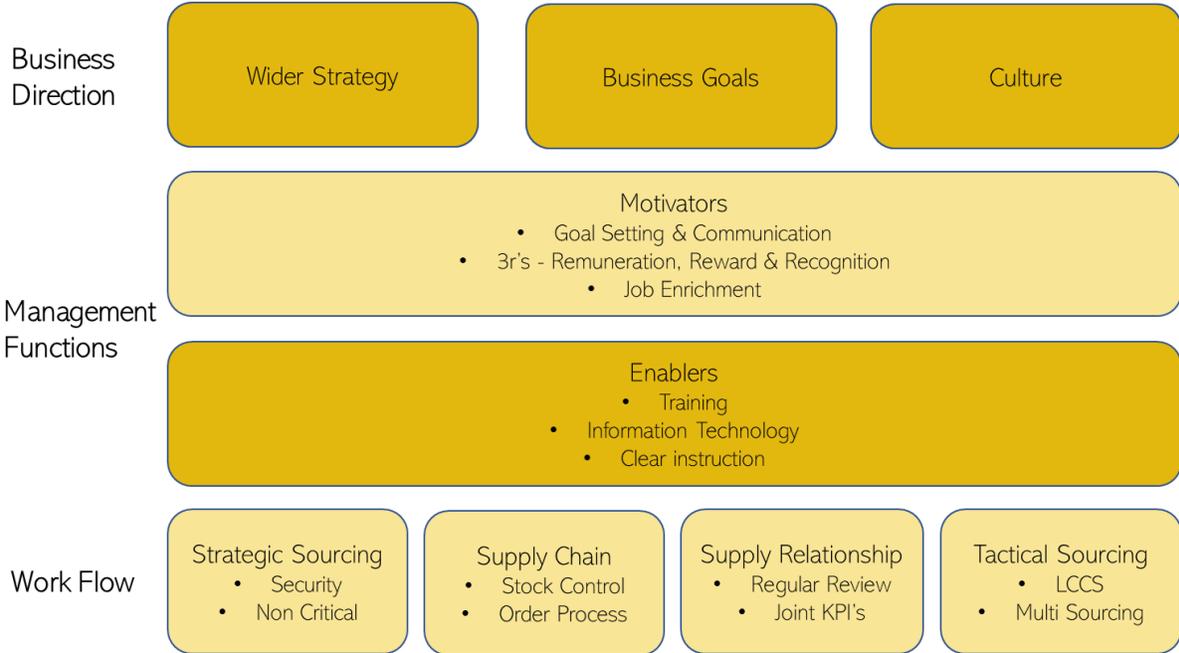
It may be that there are significant opportunities that exist in procurement that are not directly aligned to the corporate strategy, and it is important that these are not ignored in the case.

Example: Linking Corporate & Procurement Objectives	
Corporate Objectives	How Procurement Contributes
Process Simplification	Streamlining procurement policy, processes and procedures
Operational Leadership	External spend reduction, operational efficiency
New Product Introductions & Product Innovation	Early supplier involvement/ innovation programs
Global Market Expansions	Establishing global supplier networks
Corporate Social Responsibility	Supplier diversity programs, green supply chain

Step 3: What Does Success Looks Like

Once the objectives and measures are identified and agreed the procurement strategy that will achieve those improvements can be determined. As above it is not the case that objectives cannot be included in a procurement strategy that do not exist as part of the corporate strategy. It should also be free of procurement jargon consider how it may be

Read by someone with no procurement experience. Consider the full procurement cycle in your strategy and improvements that can be made throughout as in the aggregation of marginal gains is a concept made famous by British cycling coach Dave Brailsford. A helpful framework during this phase is Keystone Procurement Solutions' Dimensions of Procurement Effectiveness:



Given your line in the sand, sound business intelligence, industry standards, corporate goals, and procurement objectives, which of these dimensions requires change for your organization to achieve its objectives?

Be clear on how the procurement team will be structured and focused in the new world, being equally clear on what will be different, but also what is working and will remain.

Keystone Procurement Solutions – Strategic Procurement Process



Step 4: Agree SMART Objectives

It is a well-used mantra in business ‘What doesn’t get measured, doesn’t get done’. And whilst many objectives may be close to hygiene task akin to brushing ones teeth even in this case without measurement improvement or decline will likely go unnoticed others will require focus to remain relevant. In developing the team one objective of the strategy may involve closing a skills gap. In this case it may be necessary to measure with the team the % of members who have undertaken relevant training and therefore obtained the skill, possibly vs. the average % of the company or inter-departmental comparisons.

For ease of viewing and consolidating the results a procurement dashboard, can be created, and shared across the team and company. A procurement dashboard helps to create clear high-level understanding of agreed procurement targets and improvement priorities. In addition, they can be used to:

- Provides the framework to measure the procurement team’s continual improvement and the effectiveness of the strategy
- Clearly communicates performance against internal and external service levels to stakeholders
- Provides business intelligence that can be used when dealing / negotiating with suppliers.
- Provides the basis for a formal continuous improvement approach to strategic sourcing



### Step 5: Implement, Measure, Deliver, Review

At Keystone Procurement Solutions we focus on delivering true Quality of Earnings. In this we acknowledge that for a procurement strategy to be successful it has to be felt not just in a dashboard but in the company's performance and ultimately in EBITDA improvements. Implementing a new strategy is usually a balance of science (building a plan) and art (designing the rollout). Having a plan that is clear in its aim, method, timelines and anticipated outcomes will help to deliver success with full buy in from stakeholders.

Key considerations during the roll out should be:

- Do you have a full roll out plan that clearly sets out actions and responsibilities (RACI)
- Does your plan and the actions contained have clear review / end dates as well as targets
- Do you have a strategy team in place to regularly review performance against the agreed targets
- Does your strategy team have an executive sponsor that can remove blockages or expedite where needed
- Do you have a clear communication plan to ensure buy in and longer term recognition of achievement

- Are your Senior Leadership team supportive and visibly enthusiastic about the potential
- Are incentives for high performers in place to highlight the success of their actions
- Do you have a plan for communication and sharing of your procurement dashboard, including 360 degree evaluation

### Conclusion

Does your team have its procurement strategy agreed and implemented? As right at the start, the most important element of a procurement strategy is that it exists.

Remember to use Keystone Procurement Solutions 5 steps to create your procurement strategy to ensure your team maximise its value contribution.

### Summary

Step 1: Existing Team Deep Dive

Step 2: Where do you want to be?

Step 3: What Does Success Look Like?

Step 4: Agree SMART Objectives

Step 5: Implement, Measure, Deliver, Review

Contact Keystone Procurement Solutions today for a free Procurement Strategy Appraisal.

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